HALLIBURTON COMPANY

1987 ANNUAL REPORT

Halliburton Company

Profile

Halliburton Company is one of the worlds larger and more diversified oil field services and engineering/construction organizations Approximately three fourths of revenues are derived from services to including construction for the energy industries About one third of revenues come from international sales and services

The oil field services group provides many of the services and products essential to the exploration development and production segments of the petroleum industry These include cementing, formation testing, production stimulation, sand and water control and industrial cleaning services (Halliburton Services), equipment and services to control the testing and production of oil and gas reservoirs (Otis Engineering) computerized wireline well logging and jet perforating services (Welex) leasing of gas compressors and production and gas processing equipment (Halliburton Resource Management), and tubing conveyed well completion systems for both perforating and production testing of oil and gas wells as well as sand control and filtration services (Vann Systems)

Industrial engineering/construction services include the design and construction of electric utility plants, chemical and petrochemical plants refineries pulp and paper mills, metals processing plants highways and bridges, and electric cogeneration projects (Brown & Root), contract maintenance services for both industry and government (Brown & Root), and engineering and environmental consulting services for industry, utilities and government (NUS)

Marine engineering/construction activities are principally directed toward the engineering project management fabrication and installation of subsea pipelines, offshore platforms production facilities subsea production equipment, and other marine related facilities on a worldwide scale (Brown & Root)

The insurance services group provides property and casualty coverage (Highlands Insurance Company), life, health and accident insurance (Life Insurance Company of the Southwest) and healthcare cost containment and claims administration services (Health Economics Corporation)

Through a series of year end meetings and briefing sessions seen *in some photos* throughout this report Halliburton Company corporate office and operating unit personnel *reviewed operating* plans for 1988 and established the Company's strategies for the coming years

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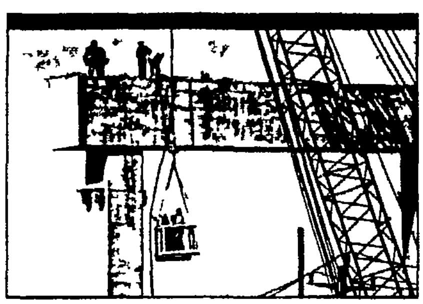
Comparative Highlights

	1987	1986	Increase (Decrease)
	(Dollars in thousands except per share data)		
Net income (loss) per share	$ 45	$ (4 85)	$ 5 30
Cash dividends paid per share	1 00	1 20	(20)
Net revenues	3 367 980	3 509 439	(141 459)
Operating income (loss)	22 702	(594 692)	617 394
Net income (loss)	48 090	(515 214)	563 304
Cash dividends paid	105 873	127 434	(21 561)
Shareholders equity	2 081,549	2 150 172	(68 623)
Acquisitions of property plant and equipment	76 469	97 477	(21 008)
Depreciation and net book value of fixed assets retired	243,599	300 418	(56 819)
Shareholders of record	23 616	25 904	(2 288)
Common shares outstanding at year end	105,301 000	105 910 000	(609 000)

*Includes special write downs of $502 915 000 in 1986 (see Note 5 to financial statements on page 27)

Quarterly Common Stock Price Ranges

(New York Stock Exchange)	First		Second		Third		Fourth	
	High	Low	High	Low	High	Low	High	Low
1987	$36 1/	$24 1/	$39 1/	$31	$43⅛	$36⅜	$41	$20⅛
1986	28	21 1/	23 /8	19 /8	23⅝	17⅞	25 /8	20 /8



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President's Letter

To Our Shareholders

After several discouraging and difficult years your Company returned to profitability in 1987 We believe the worst is behind us Halliburton once again is looking ahead We are positioning ourselves not only to strengthen our traditional areas of leadership but also to improve our position in other markets we now serve and to establish a significant presence in selected new markets

.fter several difficult 'ears Halliburton is 'gain looking ahead and ositioning itself not nly to strengthen its 'aditional areas of :adership, but also to stablish a significant resence in selected ew markets

Net consolidated revenues for 1987 were $3 4 billion, a decline of 4% from 1986 Consolidated operating income was $22 7 million compared with a 1986 operating loss of $91 8 million, before special write downs of $502 9 million Net income for 1987 was $48 1 million or 45 cents a share versus a loss of $515 2 million or $4 85 a share in 1986 Excluding special charges, the net loss for 1986 was $26 5 million or 25 cents a share

Contributing to the improved results were a gradual recovery in drilling rates moderately improved oil field services pricing and better construction markets Also, the improvement in operating margins means that the many efficiencies put into place over the past several years have begun to pay off The major restructuring program at Brown & Root and the drastic reductions in the oil field services workforce have properly sized our operations for current conditions

Now we are embarking on a series of programs for the longer term Our commitment to research and development continues at a high level and we are moving to improve even further its effectiveness We are taking action to increase the efficiency of our manufacturing operations, and new emphasis is being placed on marketing especially in international operations As the Company proceeds further into this recovery phase, we believe these programs will make substantial contributions We continue to recognize that our main business is providing high quality technologically superior services and products to the energy industries worldwide

Our confidence in the future stems from several factors First the bubble in natural gas, as it has come to be known is expected to end soon Prices for natural gas, along with the opportunity to sell it will then begin to improve, leading ultimately to more exploration and production activity Workover activity on older wells — an important market for Halliburton — also should increase

Allowing for the shorter term vagaries of oversupply and the production policies of the Organization of Petroleum Exporting Countries (OPEC) the long term outlook for the price of crude oil

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looks promising We believe that by the early 1990s, increasing demand coupled with decreasing production will restore the confidence of domestic producers in a stable pricing structure for their production and assure us of increased drilling activity

Finally we are already experiencing an upturn in demand in the engineering construction business as more and more sectors of domestic industry begin to strain productive capacity Both the number and the size of new projects are increasing which should improve the demand for our engineering/construction services Growth in the economy an improving trade position and a leaner more efficient U S industrial base all are contributing to what should be a more profitable operating environment for our engineering construction group

In 1987 Brown & Root Services Corporation entered the rapidly developing area of operations and maintenance services for the public sector in the United States as well as overseas And our efforts to assemble an international engineering/construction team are proceeding on schedule as Brown & Root Inc and Brown & Root (U K) Limited expand their operations in many Eastern Hemisphere markets These are not only geographical expansions but ones that include new businesses as well

Thomas H Cruikshank
president and chief
executive officer of
Halliburton Company

We intend to continue to improve our position in wireline well logging and related services Also we are establishing ourselves as a major seismic contractor and coordinating these technologies with our other capabilities to provide a total reservoir analysis service We recently announced two oil field services acquisitions which will further this strategy On February 29 1988 we acquired 60% of Geophysical Service Inc (GSI), one of the worlds leading geophysical contractors giving us an important stake in the seismic industry In February 1988 we announced a proposed merger with Gearhart Industries Inc a worldwide well evaluation and geophysical services company

If the latter acquisition is completed Gearharts wireline

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logging business will be combined with our Welex Division and its seismic services business Geosource will be merged with GSI We will then be a more significant force in the wireline logging market and a leader in the seismic field These transactions will also reinforce our continuing emphasis on our oil field services operations

I would like to acknowledge several changes that occurred on our board of directors during the year In September we noted with great sorrow the death of Alex E Barron, a Halliburton director since 1974 Also there were two retirements The Rt Hon Lord Polwarth a Halliburton director for 13 years and B G (Bill) Taylor, executive vice president — oil field services and a director who retired after more than 35 years of service Each of these directors made valuable contributions to the Company Elected to the board were The Rt Hon Lord Clitheroe deputy chief executive The RTZ Corporation, and F James McDonald former president and chief operating officer General Motors Corporation

Executive Committee members from left include Purvis J Thrash president Otis Engineering Jack W Miller senior vice president — finance Halliburton Company Dale P Jones (standing) executive vice president — oil field services Halliburton Company Thomas H Cruikshank president and chief executive officer Halliburton Company Lester L Coleman senior vice president — corporate development Halliburton Company James A Dunlop (standing) president Welex Division T Louis Austin Jr president and chief executive officer Brown & Root Inc and Alan A Baker president Halliburton Services Division

Also we would like to recognize the outstanding performance of our employees during recent times They have seen us through the hard times with persistent effort and they deserve our sincere appreciation for the determination, loyalty and competitive spirit they have demonstrated

The turnaround in our operations the efficiencies that have been achieved and the emerging strategies for the future tell us that the next decade will be an exciting one for the Company and its shareholders We appreciate the support that you have shown during the difficult years of the recent downturn and invite you to remain with us throughout the better times that lie ahead

Respectfully submitted,

Thomas H Cruikshank

Thomas H Cruikshank
President and Chief Executive Officer

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Operational Review

Oil Field Services and Products

Operations of Halliburton Companys oil field services group improved significantly in the second half of 1987, enabling the group to record a small operating profit for the year Operating income was $3 9 million compared with a loss of $46 8 million before write downs in 1986 The stringent cost reduction programs and other efficiencies undertaken in previous years helped to achieve this profitability despite reduced revenues

Oil Field Services and Products (Dollars in millions)	1987	1986	1985	1984	1983
Revenues	$1 549.2	$1 797 7	$2,925 1	$3 176.3	$2 867 6
Operating Income (Loss)	3.9	(355 4)	335.3	478 6	402 0
Depreciation	182.8	235 7	271 1	279 3	284 0
Capital Expenditures	49 0	81 1	198 7	134 0	126 0
Identifiable Assets	1,532.8	1 789 8	2,533 4	2 640 0	2 809 0
Employees	18 600	18,200	29,200	31 600	30 000

Includes special write-downs of $308 6 million in 1986

Revenues declined 14% from the previous year, from $1 8 billion to $1 5 billion A major portion of the decrease was due to the Companys IMCO Services Division being merged into a 40% owned nonconsolidated joint venture M I Drilling Fluids Company at the end of 1986 The 6% drop in worldwide drilling activity was an external market factor which also influenced the groups revenues

Most of the decrease in worldwide market activity came at the expense of international drilling which was down 7% from 1986 Domestic drilling which was off 3% for the year, revived in the second half of 1987 and the number of active domestic rigs at year-end was almost 16% higher than at the end of 1986 Rising crude oil prices helped to stimulate drilling activity, particularly in the last half of the year This improvement in domestic activity helped to firm prices for the Companys services and products However prices still remain at extremely low levels

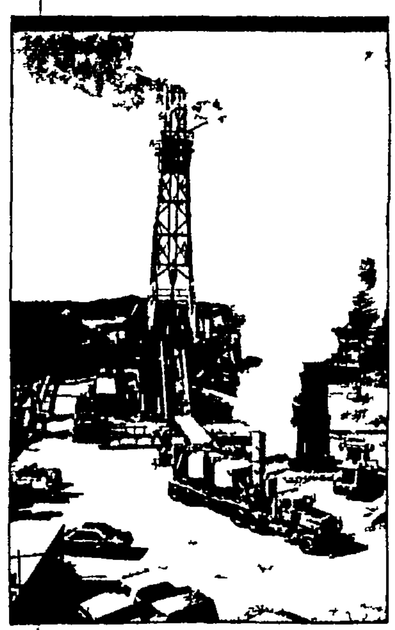
The traumatic reductions in employment that characterized 1986 — when the groups workforce was reduced 38% — were absent in 1987 Although a few additional reductions were necessary in the first half of the year, employee levels stabilized by midyear and ended 1987 at 18,600 some 400 above those of 1986 The focus has been on rehiring former employees with proven skills

The groups wage and salary freeze initiated in 1985, together with the furlough program implemented in mid 1986, which required employees to take one week off without pay in each eight week period were discontinued in 1987 as operating activity improved

Recognizing that continued improvement in the oil field services industry will place an even greater premium on the effective use of people technology equipment and facilities the group has begun several strategic programs to meet future needs

One of these is a program designed to develop the skills and talents

A Halliburton Services cementing truck prepares to cement a geothermal well in The Geysers area of Northern California Producing from ancient volcanoes these unique formations yield dry steam that is used by local utilities to generate electricity



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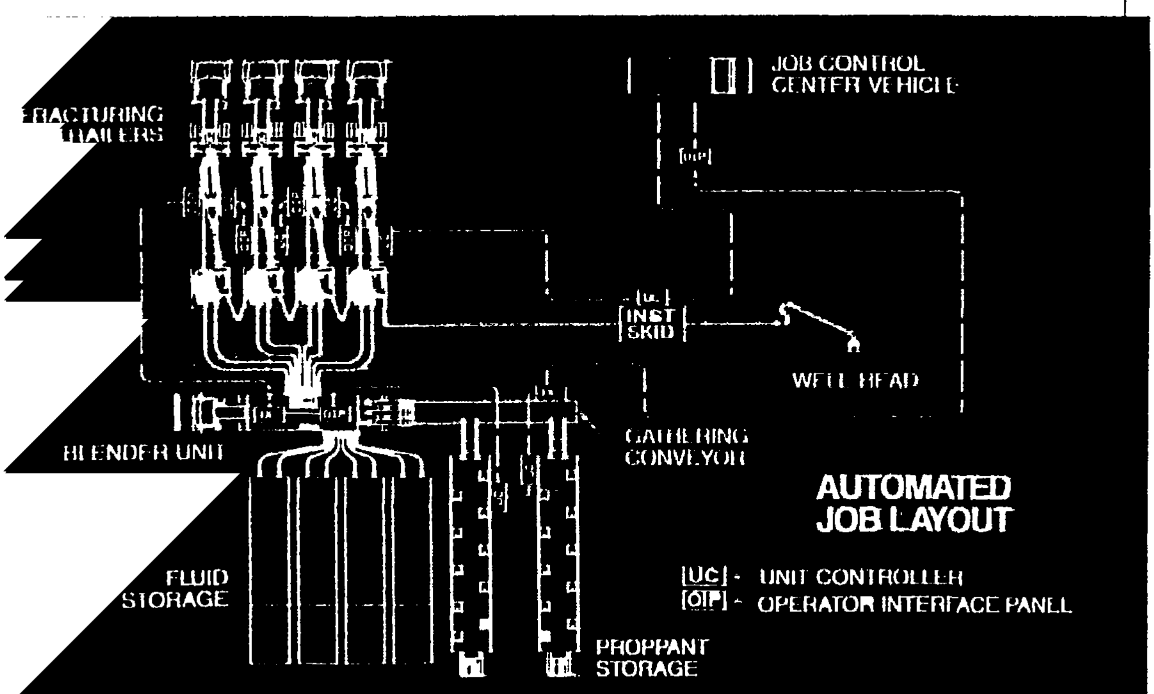
of management personnel by exposing them to a wide variety of managerial responsibilities In addition to its plan for senior executives the group has ongoing training programs to develop promising younger personnel for senior management positions in the future, and to upgrade the proficiency of field and professional employees

New approaches to marketing also are being developed Particular emphasis is being given to the marketing of the Companys services and products in international markets These markets have grown in importance to the Company as levels of domestic activity have declined in recent years Many of the Companys customers are now spending a larger portion of their exploration and development budgets overseas

These spending patterns led Halliburton units to increase their participation in several international markets, particularly Latin America, West Africa and the Far East Welex introduced its Precision Logging System for the first time in an overseas offshore

Halliburton Services introduced a fully automated fracturing system in 1987 that improves job efficiency and gives customers better control of formation fracturing The job control vehicle for this system is the frac van (right) where personnel closely monitor all phases of the job



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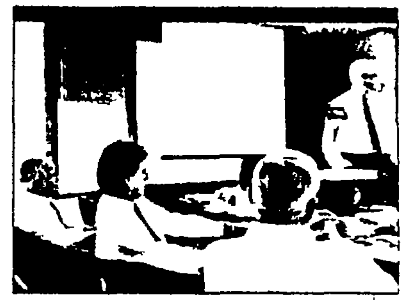
Halliburton

project in the Java Sea Vann Systems entered new markets in Argentina Brazil Malaysia and Gabon In 1987 Halliburton products and services were offered in 92 countries outside the United States

The Company s leading position in oil field pumping services is due in large part to a highly focused research and development effort In 1987 the oil field services group spent $59 9 million on R&D

Halliburton Services introduced a new fully automated oil well fracturing system This system, which features the latest in pumping and blending technology affords customers better control of formation fracturing and improves job efficiency Another innovation in fracturing technology is Liquid Gel Concentrate (LGC) This is a fluid in concentrate form which can be mixed on site thus cutting the costs of transporting and disposing of large volumes of fluids used to carry formation proppants in stimulation jobs Customers pay only for what is mixed and used downhole on the job, making LGC much more economical to use than previous pre mixed solutions



Halliburtons research effort in recent years also has been focused on improving the collection and interpretation of data for cementing stimulation, formation testing and production evaluation In 1987 Halliburton Services introduced a new quartz memory gauge which has broad applications for formation evaluation This proprietary system speeds the collection and interpretation of downhole data, and is attractive for offshore drilling operations where high drilling costs place a premium on quick and accurate decisions

Welex added another tool, the Dual Laterolog to its technologically advanced Precision Logging System (PLS) This system provides measurements of oil and gas saturation, porosity and lithology in the open well bore The Dual Laterolog will expand PLS capabilities to allow the detection of oil and gas in specialized applications in salt mud boreholes

Working together, Otis and Halliburtons subsea service unit have developed an economical system for performing wireline servicing

A research scientist at Welex studies a projected image of a logging profile generated by the Precision Logging System (PLS) This technologically advanced system furnishes the customer with many types of data on formations through which the well is being drilled

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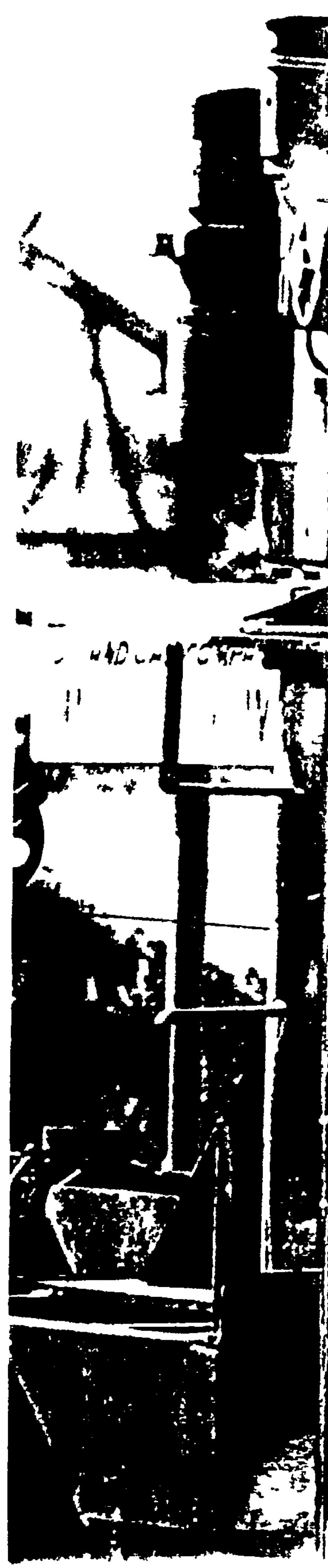
operations Using dynamically positioned vessels which are equipped to remain in position over the wellsite Otis is able to conduct remedial wireline operations on undersea wells under most sea and weather conditions These vessels are much less expensive to operate than drilling vessels which must be moored over the wellsite for days at a time

An important effort is being made to improve manufacturing efficiency The groups goal is to maintain a low cost structure while providing customers the highest quality products Several steps were taken in 1987 to further this objective A manufacturing plant in Amarillo Texas was closed and product lines were transferred to the manufacturing center at Duncan, Oklahoma Also, fabrication of service equipment for most oil field units was consolidated at a single plant in Duncan

The outlook for 1988 is clouded by many uncertainties The Organization of Petroleum Exporting Countries (OPEC) production and pricing policies will continue to have a major bearing on exploration and development budgets of the Companys customers Overcapacity still exists in certain types of services and price discounting is still a serious problem In addition, spending plans of our customers will be influenced by the strength of the domestic economy and energy policy decisions

Despite these uncertainties, the oil field services group approaches the future with cautious optimism The turnaround in the domestic industry in 1987 is expected to continue into 1988, with customers indicating they will spend at least 10 15% more on domestic exploration and production Natural gas prices are firming slowly, leading the group to expect an end to the bubble and a resumption of increased drilling activity Increased emphasis on international marketing also is expected to lead to improved results overseas



Otis Engineering employees service a steam injection well in one of the nation s largest oil fields the Belridge field in Kern County California These injection techniques which drive the oil toward producing wells are known as enhanced oil recovery The field was one of the most active areas for the Halliburton oil field services group in 1987

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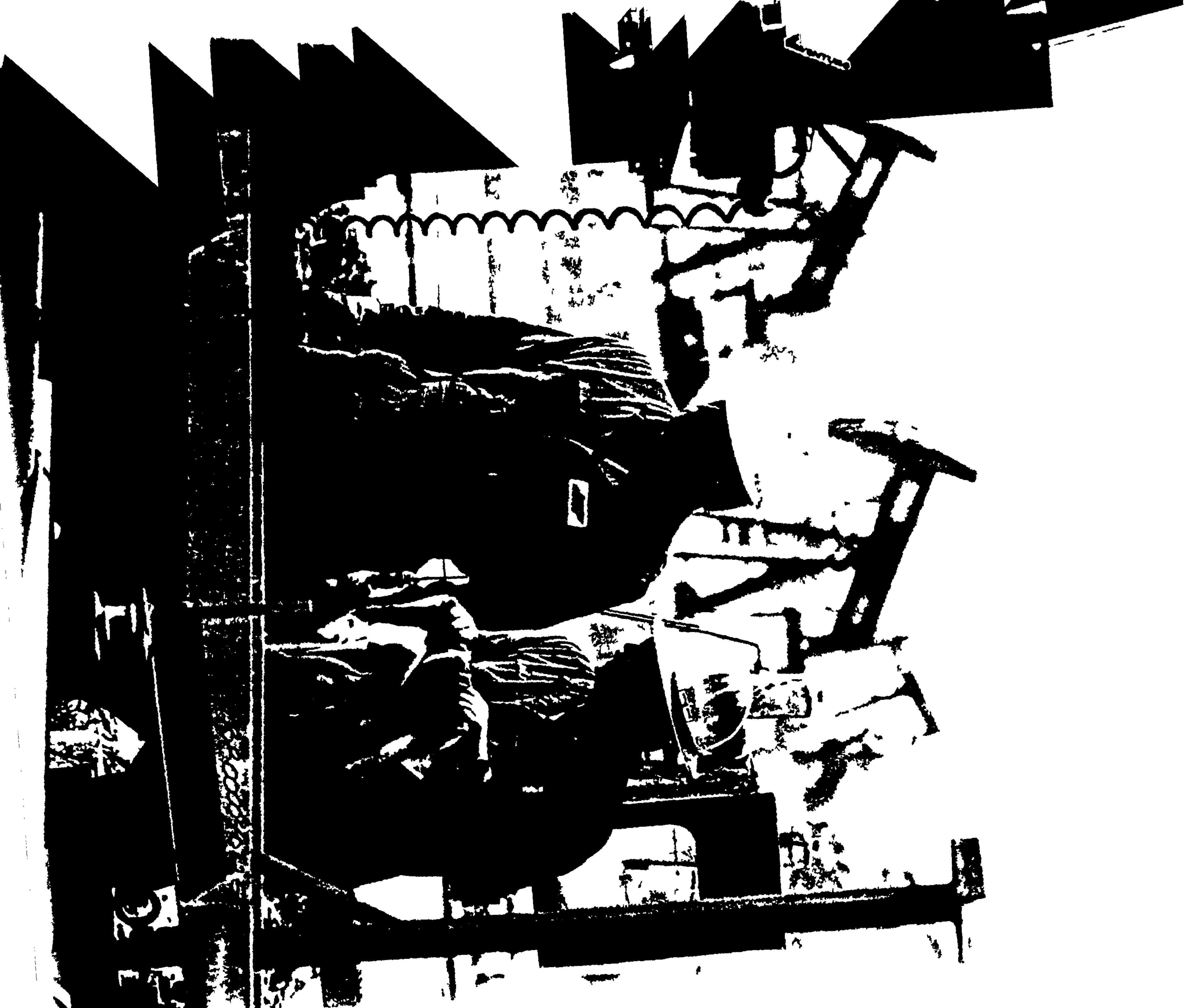


Engineering/Construction Services

For several years Halliburton's engineering/construction services group has been restructuring its organization to fit changing markets. Participation in some markets has been scaled down or eliminated, while services have been initiated or expanded in other markets. Cost reduction and quality improvement programs have been successfully implemented and are continuing. These efforts began to pay off in 1987.

Engineering/Construction Services (Dollars in millions)

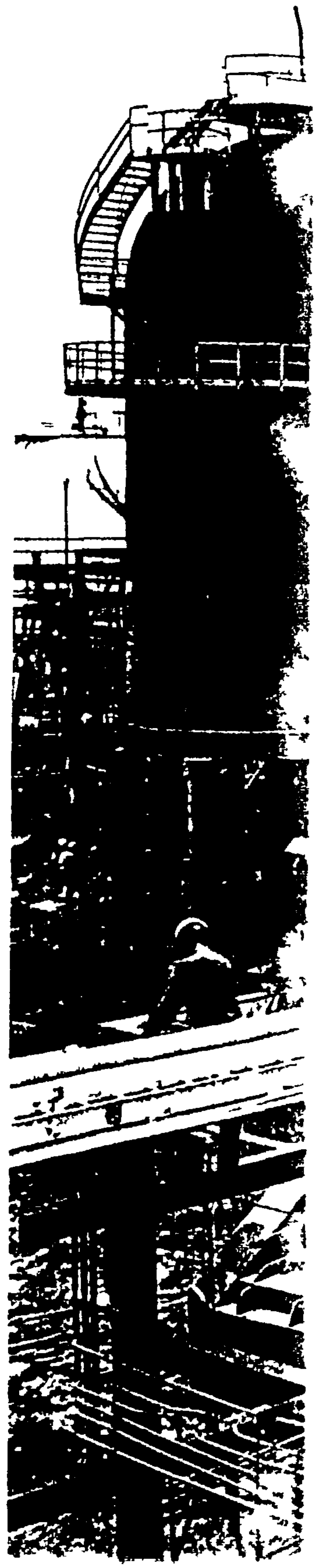
	1987	1986	1985	1984	1983
Revenues	$1,818.8	$1,711.7	$1,853.6	$2,269.4	$2,654.6
Operating Income (Loss)	18.8	(239.3)	(246.3)	19.3	99.0
Depreciation	30.8	45.0	71.7	89.3	91.9
Capital Expenditures	27.4	16.4	40.4	128.5	116.8
Identifiable Assets	789.4	657.3	929.7	1,284.0	1,455.3
Employees	28,800	27,600	34,700	34,600	42,200

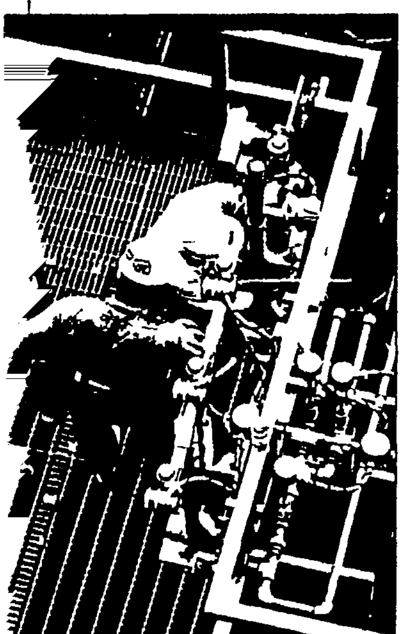
Includes special write downs of $194.3 million and $257.8 million in 1986 and 1985, respectively.

Engineering/construction revenues were $1.8 billion, up 6% from 1986. Operating income was $18.8 million compared with a loss, before special write downs, of $45.0 million in 1986.

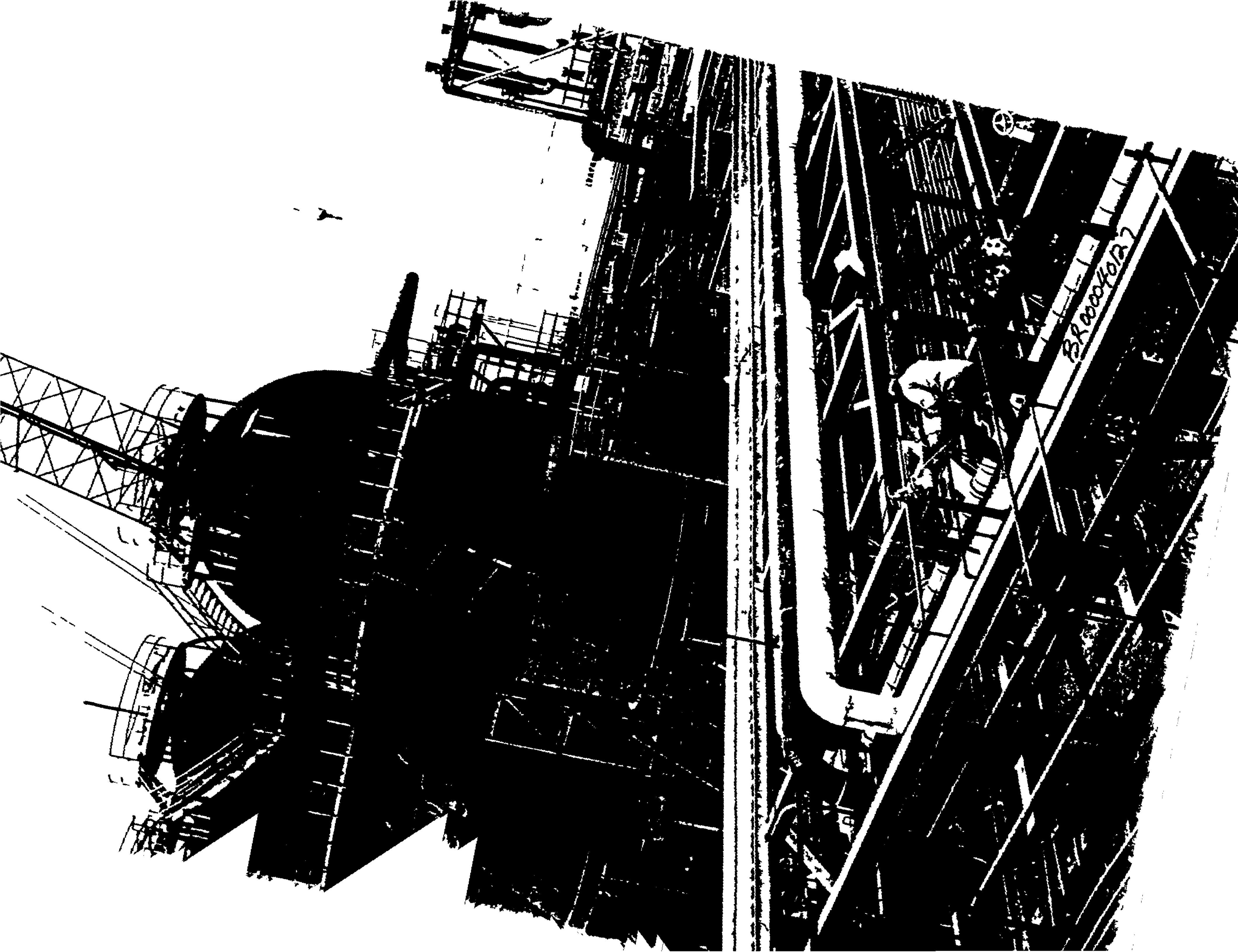
Increased workloads for some engineering/construction business units of Brown & Root, such as the heavy civil and the petroleum and chemical units, helped to stabilize the workforce — even increasing it slightly over 1986 levels. At the end of 1987, engineering/construction services had 28,800 employees, compared with 27,600 in 1986.

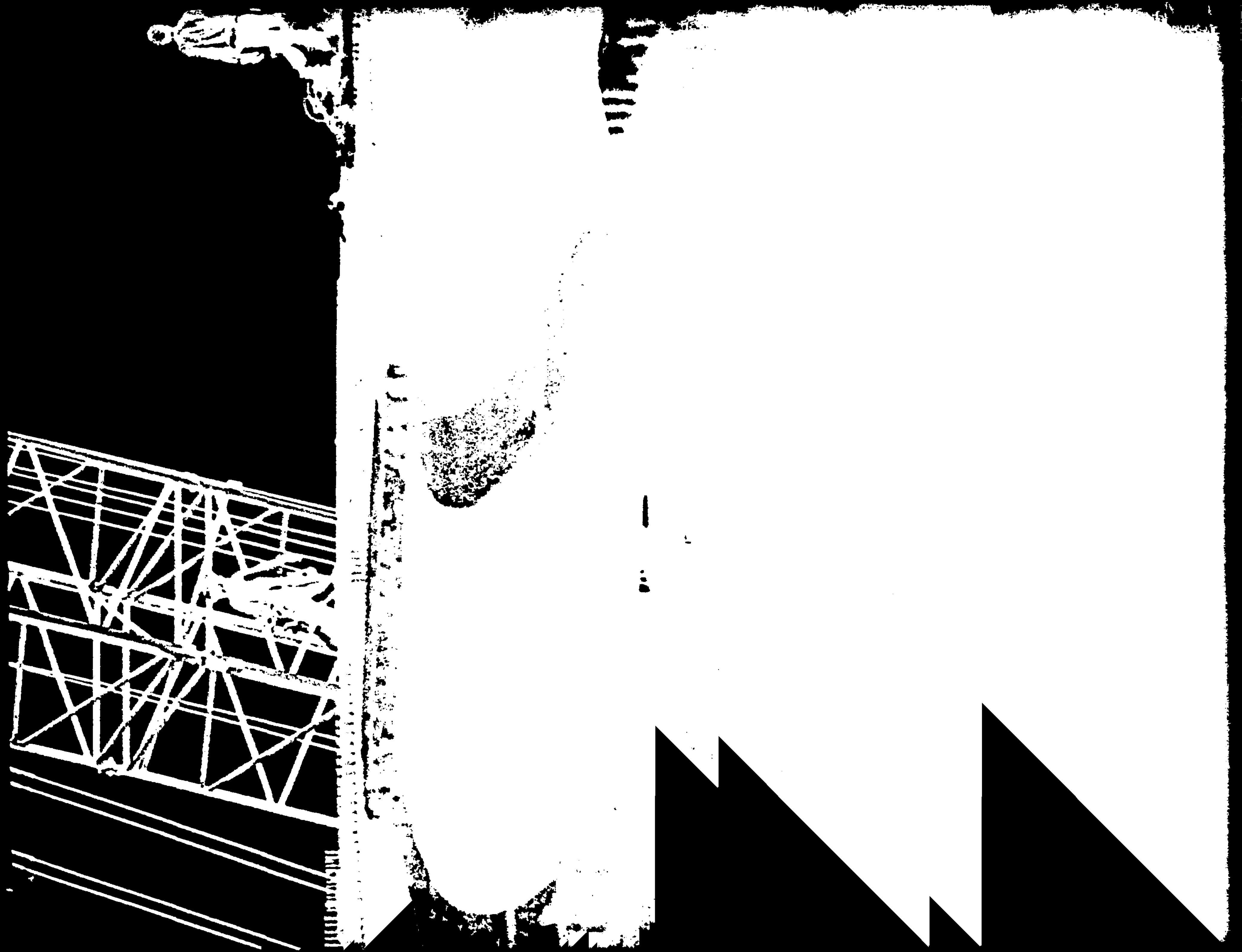
The petroleum and chemical unit generated about one third of engineering/construction services revenues in 1987. Major projects included a chemical plant for Ciba Geigy in Alabama and an electric cogeneration facility for ARCO Petroleum in California. A significant portion of the unit's revenues was derived from contract maintenance services. These services, which are growing in importance, range from occasional assistance to total plant





Brown & Root worked on four cogeneration projects during the year. The largest of these, shown under construction, was a 320 megawatt facility for ARCO Petroleum at its Carson, California refinery. Waste energy from the refinery will be recycled through the cogeneration plant to generate electricity which will then be sold to a local utility company. (Left) Electricians check out newly installed instruments at the ARCO plant. Over 1,100 Brown & Root people were on the job during peak construction periods.





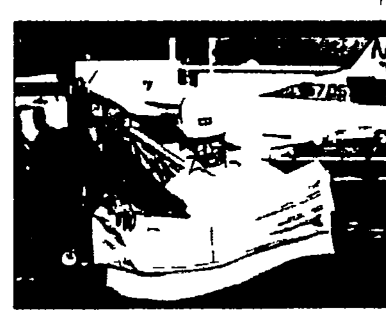
maintenance A major customer was Du Pont Brown & Root provided maintenance, ongoing in house capital construction and construction services for eight Du Pont plants in Texas, Mississippi Alabama and Virginia during the year

The domestic pulp and paper industry was another strong market for Brown & Roots services in 1987 The United States continues to dominate this industry because of vast forest and pulpwood reserves While very few paper companies are building new plants, many are adding to the capacity and efficiency of existing facilities This created new opportunities for Brown & Roots manufacturing and process industries unit, which had two large mill projects underway at the end of the year

In 1987, for the first time operations and maintenance services were offered and supplied to various divisions of the public sector A start up company, Brown & Root Services Corporation exceeded expectations by winning contracts from the City of Houston NASAs Johnson Space Center, and the U S Army and U S Navy in its first year of operation

The acquisition of Enterprise Building Corporation early in the year provides Brown & Root with a vehicle for entry into the commercial construction business as well as the Florida market

From conception to completion A highway project designed by Brown & Root s central engineering unit evolves from its initial computer drafting stage (above) to near completion as a beltway interchange for a Houston tollroad (left)

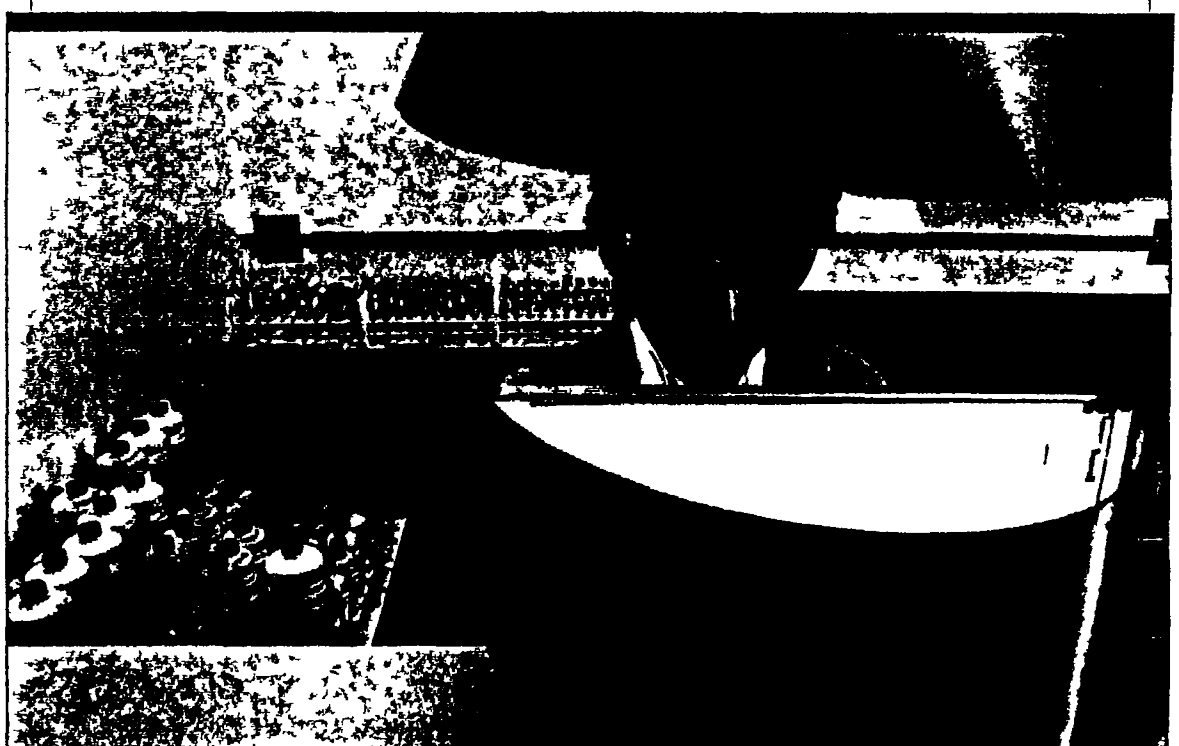


Through a newly established company known as Brown & Root Services Corporation Halliburton began providing operation and maintenance services to the U S Navy and other public sector customers in 1987 At Naval Air Station Miramar near San Diego Brown & Root engineers discuss plans for a project at the famous Top Gun school

NUS Corporation, an engineering, consulting and environmental services subsidiary continues to grow in the business of hazardous waste management services In late 1987 NUS received an additional $216 million contract from the U S Environmental Protection Agency to manage the cleanup of Superfund hazardous waste sites in Pennsylvania, Maryland, Delaware, Virginia and West Virginia during the next ten years

Because of its expertise in the design of offshore drilling and production platforms, the domestic marine engineering unit received a subcontract from McDonnell Douglas to design offshore launch facilities for the U S Air Force Advance Launch System Using offshore platforms as launch sites, the Air Force hopes to develop a system that will greatly reduce the costs of sending cargo into space

Overseas Brown & Root (U K) Limited is developing a strong, London based engineering/construction team capable of identifying and developing major international industrial and marine projects To strengthen the civil engineering capability of this team, Brown & Root (U K) in 1987 purchased Howard Humphreys Group, a U K consulting firm with an international reputation for its work in water supplies urban services and roads transportation and earth sciences



The cleanup of the nation's environment has meant new growth to NUS Corporation s waste management services group Much of this work involves testing for toxicity of industrial wastes Using a process known as atomic absorption an employee at NUS Pittsburgh laboratories determines the concentration of toxic metals in an industrial wastewater sample

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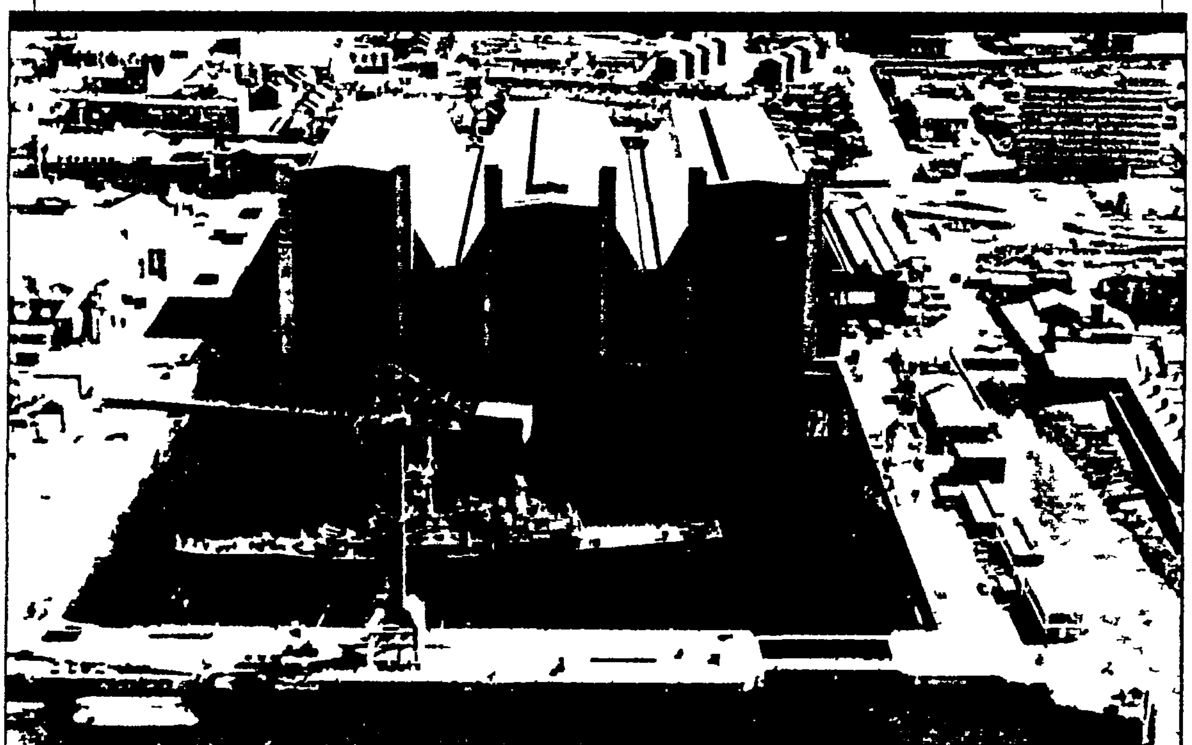
In one of the years major developments, a U K consortium in which Brown & Root (U K) owns nearly 30%, won a seven year contract to operate and maintain the Royal Navys Devonport Royal Dockyard at Plymouth, England

Offshore in the North Sea Brown & Root (U K) at year end completed a joint venture for its marine construction operations with Saipem (U K) Limited The new company European Marine Contractors (EMC) is owned equally by Brown & Root (U K) and Saipem (U K) Projects scheduled for 1988 include two North Sea pipelay projects, the Rob Roy Ivanhoe export pipelines and the Tern Eider pipelines

Further improvement is expected for the engineering/construction services group in 1988 Domestically, the number of available projects is increasing due to improvements occurring in some previously depressed segments of the domestic economy Also, any upturn in activity in the Gulf of Mexico would benefit domestic marine operations In international markets Brown & Root is continuing to pursue project development activities in countries such as Turkey Pakistan and Venezuela And the opportunities afforded by recent acquisitions and joint ventures should be of significant help in increasing both revenues and operating income



Through Brown & Root (U K) Limited Halliburton is developing a strong engineering/construction presence for international industrial and marine projects In 1987 a U K consortium in which Brown & Root (U K) participates succeeded in winning a prestigious contract to operate the Devonport Royal Dockyard at Plymouth England

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Insurance Services

Net premiums from Halliburton's insurance services increased 11% in 1987 from $381.4 million to $423.6 million however the group's net income declined 8% to $37.0 million due primarily to higher underwriting losses Investment income was greater than in 1986

Highlands Insurance Company experienced higher underwriting losses reflecting a combination of rising claims costs and softening rates Highlands expects that present industry conditions will generally make adequate price increases difficult to obtain Therefore during 1988 the company will concentrate its underwriting efforts on those accounts and markets where quality of service supplants price as the primary reason for the selection of an insurance carrier

Insurance Services (Dollars in millions)	1987	1986	1985	1984	1983
Net Earned Premiums	$ 423.6	$ 381.4	$ 294.7	$210.2	$188.3
Underwriting Profit (Loss)	(55.6)	(40.3)	(40.1)	(23.4)	(13.5)
Investment Income Net	88.4	85.2	68.8	64.2	58.6
Net Income	37.0	40.4	36.2	41.6	43.9
Shareholder's Equity	316.5	295.3	280.4	271.3	258.2
Total Assets	1,319.4	1,167.0	1,018.5	909.9	839.6
Employees	1,100	1,100	1,100	1,000	1,000

Life Insurance Company of the Southwest's single premium life insurance and annuity policies have received good market acceptance which has resulted in a significant increase in new premium income and assets This trend is expected to continue in 1988 Early in 1987 LICSW transferred its medical claims payment business to Health Economics Corporation This action helped to better define the markets of both companies

Health Economics Corporation's cost containment services which help employers moderate the rising costs of health care continue to grow HEC also provides administrative analytical and claims payment services for insurance programs and healthcare plans In 1987 the company's utilization review services covered over a half million employees and their dependents up from approximately 200,000 a year earlier HEC also processed over a million medical claims for its customers in 1987

Americans paid over $500 billion for healthcare in 1987 or nearly 11% of the nation's gross national product Health Economics Corporation provides services to help employers moderate these costs Here employees handle calls for HEC's utilization review services in which requests for medical care are pre screened for customers

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Financial Review

Selected Financial Data

	1987	1986	1985	1984	1983
	(In millions except per share data)				
Income (loss) per share before extraordinary items	$ 45	$ (4 85)	$ 27	$ 2 87	$ 2 66
Net income (loss) per share	45	(4 85)	(3 12)	2 87	2 33
Cash dividends paid per share	1 00	1 20	1 80	1 80	1 65
Net revenues	3 368 0	3 509 4	4 778 7	5 445 7	5 522 2
Income (loss) before extraordinary items	48 1	(515 2)*	28 7*	329 6	314 8
Net income (loss)	48 1	(515 2)	(339 3)	329 6	275 8
Total assets	3,270 6	3 328 0	4 662 0	5 352 3	5 833 8
Long term debt less current maturities	198 0	241 1	447 7	480 2	730 2

*Includes special write downs of $488 733 000 and $195 008 000 in 1986 and 1985 respectively (see Note 5 to financial statements on page 27).

Management's Discussion and Analysis of Results of Operations and Financial Condition

RESULTS OF OPERATIONS

1987 Compared to 1986

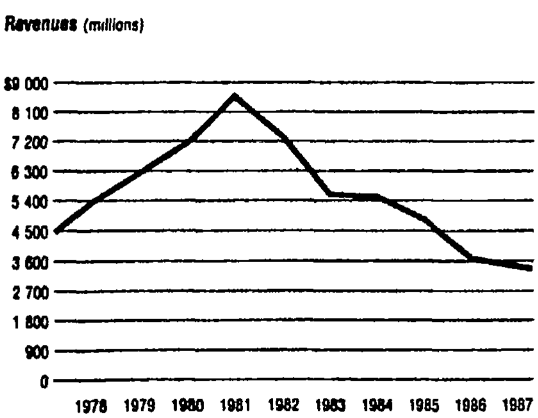
Net consolidated revenues for 1987 were $3 4 billion a decline of 4% from 1986 The increased volume of the industrial engineering/construction services segment was offset by lower volumes of the oil field services and products and the marine engineering/construction services segments Reduced worldwide drilling activity in 1987 contributed to the lower revenues from the oil field services and marine segments

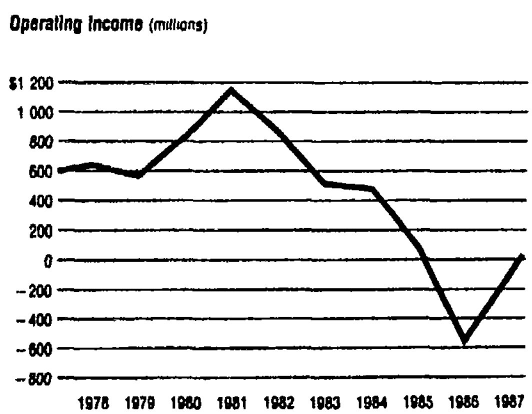
Consolidated operating income for the year was $22 7 million compared with a 1986 operating loss of $91 8 million before special write downs of $502 9 million

Net income for 1987 was $48 1 million or 45 cents a share The net loss for 1986 was $515 2 million or $4 85 a share Excluding special charges made in the second quarter of 1986 the net loss for 1986 was $26 5 million or 25 cents a share

Revenues from the oil field services and products segment declined 14% in 1987 to $1 5 billion Much of the revenue decline occurred as a result of the transfer of IMCO Services operations into a nonconsolidated 40% owned joint venture, M I Drilling Fluids Company in late 1986 Oil field services operating income for the year was $3 9 million compared to a 1986 loss of $46 8 million excluding 1986 special write downs of $308 6 million All of the profit improvement occurred in domestic operations International operations while profitable were lower

The oil field segment's operating results reflected significant quarter to quarter improvements throughout the year Revenues in the fourth quarter were 8% higher than for the





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third quarter and operating income increased 47% to $24 4 million

Aided by increased domestic drilling activity in the latter part of the year net revenues for domestic operations in the fourth quarter were 9% higher than for the 1987 third quarter while operating income increased 56% This improvement in operating margins reflects some firming of prices in the domestic market and increased capacity utilization in the latter part of the year

Industrial engineering/construction revenues increased 12% to $1 5 billion. Operating income was $13 3 million compared to an operating loss of $10 2 million in 1986 Improved job efficiency, increased workloads and the absence of restructuring costs such as were recorded in 1986 all contributed to the turnaround in operating income

Revenues from marine engineering/construction activities declined 13% to $319 9 million Operating income for the year was $5 5 million compared to a 1986 loss of $34 8 million excluding 1986 special write downs of $194 3 million The improvement was primarily attributable to higher operating levels in the North Sea area, favorable settlements of insurance and other claims plus gains on the sales of marine equipment in 1987

Interest expense for the year was $15 5 million lower than for the prior year while interest income declined $3 4 million. The net improvement of $12 1 million was due in part to the retirement of high cost debt in the second half of 1986

Net income from insurance services declined 8% to $37 0 million 1987 net income was aided by lower tax accruals resulting from the 1986 Tax Reform Act while 1986 net income was aided by gains on the sales of securities Investment income in 1987 was higher than the previous year while underwriting results were lower Premiums from insurance activities increased 11% to $423 6 million.

1986 Compared to 1985

Special charges severely impacted financial results for both 1986 and 1985 (see Notes 5 and 6 to financial statements on page 27). In the second quarter of 1986 write downs of $488 7 million (net of taxes) were made to recognize the loss in economic value of operating assets and related investments In 1985 there were special charges of $563 0 million (net of taxes) made to reflect write downs of $195 0 million in marine assets and $368 0 million for settlement of the South Texas Nuclear Project (STNP) litigation.

The net loss for 1986 was $515 2 million $4 85 a share Excluding the special charges the net loss was $26 5 million or 25 cents a share Income for 1985 without the special charges, was $223 7 million or $2 06 a share

Net revenues for 1986 were $3 5 billion a decline of 27% from the previous year The lower revenues were due to reduced demand and intense price competition in most of the Company's markets

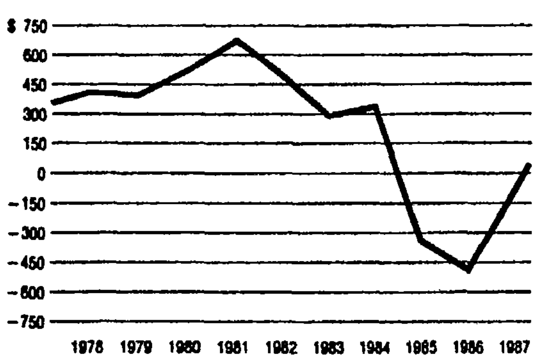
The operating loss for 1986 was $594 7 million versus income of $89 1 million for 1985 Excluding special write downs from both years the 1986 operating loss would have been $91 8 million compared with operating income of $346 9 million in 1985

Net interest expense was $10 6 million compared with net interest income of $8 9 million in 1985 This $19 5 million variance reflects lower investable cash balances as a result of the cash payment in settlement of the STNP litigation at year end 1985 as well as lower effective interest rates during 1986 Other nonoperating income declined $7 9 million because 1985 included gains from sales of securities and real estate

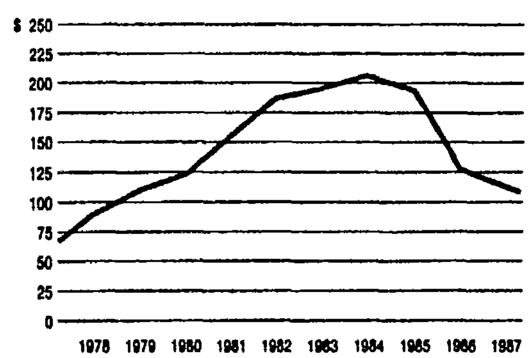
Revenues from oil field services and products declined 39% in 1986 to $1 8 billion. The operating loss was $355 4 million with special write downs responsible for most of the loss Excluding these write downs the operating loss was $46 8 million as compared to operating income of $335 3 million in the prior year

Industrial engineering/construction revenues increased 2% to $1 3 billion. There was an operating loss of $10 2 million compared with income of $26 7 million in 1985 This group's results were hampered by restructuring costs by the smaller number of large projects available and by the meager margins on profitable jobs

Net Income (millions)



Cash Dividends Paid (millions)



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Revenues from marine engineering/construction were down 32% to $368 9 million The operating loss for 1986 including special write downs was $229 1 million Excluding special write downs in both years the operating loss for the year was $34 8 million compared with a loss of $15 1 million in 1985 Most of the 1986 loss was sustained in North Sea operations

Financial results for insurance services improved significantly in 1986 aided by gains on the sales of securities Net income from these activities was up 12% on a 29% increase in premiums

EFFECTS OF INFLATION

With the lessening of the annual inflation rate in the last several years the Company believes that the impact of inflation on revenues costs and expenses has been modest

LIQUIDITY AND CAPITAL RESOURCES

Cash and marketable securities totaled $547 3 million at the end of 1987 as compared to $513 4 million and $622 7 million at year end 1986 and 1985 respectively Excluding early redemptions of long term debt and purchases of treasury shares the year end balances would have been higher by $60 0 million in 1987 and $273 4 million in 1986 Working capital totaled $989 5 million as of December 31 1987 as compared to $937 7 million and $1 3 billion at the end of 1986 and 1985 respectively The current ratio was 2 2, 2 3 and 2 1 at the end of 1987 1986 and 1985 respectively

Long term debt was $199 6 million (including current maturities of $1 7 million) at year end, representing 9% of the Company's total capitalization versus 10% at the end of 1986 and 14% at the end of 1985 Early redemptions of long term debt totaled $42 0 million in 1987 and $202 5 million in 1986 Short term debt was $29 9 million at the end of 1987 as compared to $31 1 million and $139 2 million at the end of 1986 and 1985 respectively

During the last several years the Company has had arrangements for short term lines of credit As of February 29 1988 these credit lines totaled $405 0 million and no borrowings were outstanding under these credit facilities

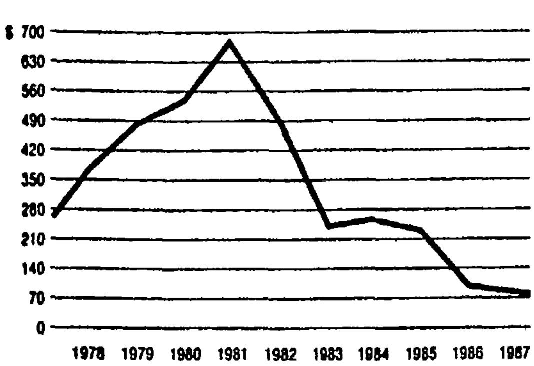
Shareholders' equity decreased to $2 1 billion at the end of 1987 from $2 2 billion at the end of 1986 and $2 9 billion at the end of 1985 The decrease in 1987 resulted from cash dividend payments to shareholders exceeding net income by $57 8 million and the repurchase of common stock on the open market for $18 0 million Contributing to the decline in the previous two years were the special write downs of $488 7 million in 1986 and $195 0 million in 1985 the settlement of the South Texas Nuclear Project litigation in 1985 for $368 0 million and the repurchase of common stock on the open market for $70 9 million in 1986 Cash dividends paid were $1 00 a share in 1987 compared with $1 20 a share in 1986 and $1 80 a share in 1985 To conserve cash the annual dividend rate was reduced in the 1986 second quarter from $1 80 to $1 00 a share Book value per share was $19 77 $20 30 and $26 30 at year end 1987 1986 and 1985 respectively

Expenditures for property, plant and equipment totaled $76 5 million in 1987 $97 5 million in 1986 and $239 1 million in 1985 Depreciation plus net book value of retired assets were $243 6 million as compared to $300 4 million in 1986 and $384 0 million in 1985 Funds required to complete capital assets in progress at year end 1987 plus the initial 1988 approved capital budget totaled $187 8 million.

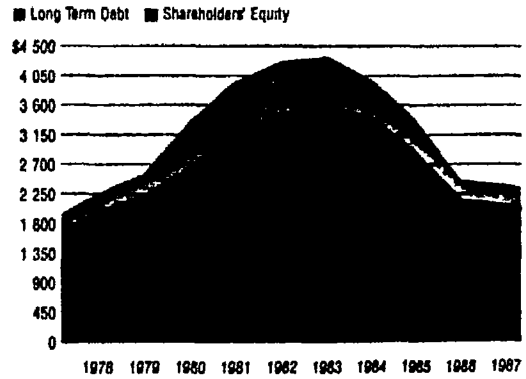
The Company recently announced its intent to acquire two companies Details of the proposed transactions are more fully described in Note 21 to financial statements on page 32 When the transactions are consummated the Company will be required to pay approximately $281 5 million in cash. No borrowings are contemplated to fund these payments

The Company continues to depend principally on internally generated funds as its major source of liquidity However, should business activities increase significantly during 1988 the need for additional working capital could require the Company to re enter the short term commercial paper market from time to time Cash flow from opera

Capital Expenditures (millions)



Capital Employed (millions)



tions in 1987 was $295 4 million as compared to $300 9 million in 1986 and $617 5 million in 1985

CONTEMPLATED CHANGES IN FINANCIAL REPORTING, SEGMENT DATA AND ACCOUNTING METHODS

The Financial Accounting Standards Board (FASB) has recently issued two significant new standards which will affect the Company's reporting.

One standard Consolidation of All Majority Owned Subsidiaries' will affect the Companys consolidated balance sheet and income statement as well as segment and geographic data Another standard Accounting for Income Taxes' will also affect the Company's consolidated balance sheet and income statement See Note 20 to financial statements on page 32 for a discussion of the effect and timing of implementation of the new standards

The Tax Reform Act of 1986 created new rules relating to inventories and other assets The new rules generally referred to as Uniform Cost Capitalization (UCC), institute new full absorption rules for tax purposes During the first quarter of 1988 the Company intends to conform financial reporting with tax requirements for certain inventories affected by the new UCC rules The cumulative effect of this change will be to increase income

The Company reports segment information along business lines The significance of one of the segments marine engineering/construction services continues to decrease in terms of its net revenues operating income and identifiable assets Also an increasing portion of marine activities is being conducted through nonconsolidated joint ventures Because of these trends the Company plans to combine the marine engineering/construction services segment with the industrial engineering/construction services segment in 1988

Responsibility for Financial Reporting

Halliburton Company has prepared the accompanying consolidated financial statements in conformity with generally accepted accounting principles consistently applied during the periods The Company is responsible for the presentation and fairness of financial information contained therein In preparing the financial statements it is necessary to make informed estimates and judgments based on available information

The Company maintains a system of internal accounting controls which includes organizational arrangements that provide an appropriate division of responsibility The system is designed to provide reasonable assurance that transactions of the Company are executed in accordance with management's general or specific authorizations that the books and records fairly reflect in reasonable detail the transactions of the Company and that the Company's assets are safeguarded. The system is reviewed regularly to ensure its effectiveness and is supported by written policies and procedures an internal audit monitoring program, and the careful selection and training of personnel.

The consolidated financial statements have been examined by Arthur Andersen & Co independent public accountants The purpose of their examination is to render an objective independent opinion on the Company's financial statements

The Audit Committee of the board of directors is composed solely of directors who are not officers or employees of the Company This Committee reviews, among other matters the financial statements of the Company the results of audit examinations, the Company's financial policies and internal and external audit plans Meetings are held with the Company's independent public accountants representatives of management and the internal auditors to review the activities of each. Both the independent public accountants and the internal auditors have full and free access to meet with the Audit Committee without management representatives present, to discuss matters relating to the adequacy of internal accounting controls and the results of their audit examinations The Committee also reviews nonaudit services of the Company's independent public accountants to ensure that such services do not impair their independence

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Financial Statements

Consolidated Income

	1987	1986	1985
	(In thousands except per share data)		
Net Revenues			
Services	$2,799,426	$2 750 155	$3 465 192
Sales	573,796	776 822	1 316 198
Equity in losses of joint venture operations	(5,242)	(17,538)	(2,695)
Total net revenues	3,367 980	3,509,439	4,778,695
Operating Costs and Expenses			
Services	2 675 378	2 736 989	3 161 931
Sales	495,399	677 500	1,063 346
Special write downs (Note 5)	—	502,915	257 830
General and administrative	174,501	186 727	206,515
Total operating costs and expenses	3,345,278	4 104,131	4,689,622
Operating income (loss)	22,702	(594 692)	89 073
Interest expense	(61,576)	(77 103)	(105 876)
Interest income	63,157	66 551	114 731
Other nonoperating income net	1,444	8 877	16 805
Benefit (provision) for income taxes (Notes 5 and 11)	(16,914)	37 442	(113 834)
Net income of unconsolidated insurance subsidiaries (Note 13)	37,018	40 398	36 152
Minority interest in net (income) loss of consolidated subsidiaries	2,259	3 313	(8 315)
Income (Loss) Before Extraordinary Item	48,090	(515,214)	28 736
Extraordinary item net of income taxes (Note 6)	—	—	(368 012)
Net Income (Loss)	$ 48,090	$ (515,214)	$ (339,276)
Income (Loss) Per Share Before Extraordinary Item	$ 45	$ (4 85)	$ 27
Net Income (Loss) Per Share	45	(4 85)	(3 12)
Average Common Shares Outstanding	105,891	106 121	108 647

Consolidated Retained Earnings

	1987	1986	1985
	(In thousands)		
Balance, beginning of year	$2,122 057	$2 764 705	$3,299 542
Add Net income (loss)	48,090	(515,214)	(339,276)
	2,170,147	2,249 491	2 960,266
Deduct. Cash dividends paid ($1 00 $1 20 and $1 80 a share, respectively)	105 873	127,434	195,561
Balance, end of year	$2,064,274	$2 122 057	$2,764,705

See statement of accounting policies and notes to financial statements

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Consolidated Balance Sheet December 31

	1987	1986
	(In thousands)	
Assets		
Current Assets		
Cash	$ 513 809	$ 444 967
Marketable securities	33,454	68 427
Notes and accounts receivable (Note 1)	825 031	735 950
Unbilled work on uncompleted contracts (Note 1)	109,213	61 475
Refundable Federal income taxes (Note 11)	75 350	104 565
Inventories (Notes 4 and 5)	228,416	265 118
Total current assets	1 785,273	1,680,502
Equity in and Advances to Joint Ventures (Note 15)	153,223	185,892
Equity in and Advances to Related Companies (Notes 2 and 13)		
Insurance subsidiaries	317 492	295,280
Other companies	55,609	61 181
Total equity in and advances to related companies	373,101	356 461
Property, Plant and Equipment at cost (Notes 3 and 5)	3 080,101	3 307 635
Less accumulated depreciation	2,214,777	2,281 873
Net property plant and equipment	865,324	1,025 762
Other Assets	93,679	79,411
	$3,270 600	$3 328 028
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	$ 264,225	$ 192 139
Advance billings on uncompleted contracts	150,293	108 385
Short term notes payable and current maturities of long term debt (Note 7)	31 535	35,298
Contributions payable to employees' benefit funds (Note 19)	5,682	1 925
Federal, state and foreign income taxes (Note 11)	10 039	75 554
Other current liabilities	334 036	329,515
Total current liabilities	795 810	742,816
Deferred Income Taxes (Notes 11 and 13)	183,387	182 654
Long term Debt, less current maturities (Note 7)	197,981	241,075
Minority Interest in Consolidated Subsidiaries	11,873	11,311
Commitments and Contingencies (Note 18)		
Shareholders Equity		
Preferred stock no par value — authorized 5 000 000 shares none issued		
Series A junior participating preferred stock, no par value — authorized 2 000,000 shares none issued (Note 10)		
Common stock par value $2 50 per share — authorized 200 000 000 shares, issued 119,189 598 and 119,051,700 shares respectively (Note 9)	297,974	297,629
Paid in capital in excess of par value	134,550	127 329
Retained earnings	2,064,274	2,122,057
	2,496,798	2,547,015
Less treasury stock — 13 888 904 and 13,141 420 shares respectively at cost	415,249	396,843
Total shareholders' equity	2 081,549	2,150,172
	$3,270,600	$3,328,028

See statement of accounting policies and notes to financial statements

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Consolidated Changes in Financial Position

	1987	1986	1985
		(In thousands)	
Funds Provided by Operations			
Income (loss) before extraordinary items	$ 48 090	$(515 214)	$ 28 736
Depreciation	213 548	280 734	342 768
Special write downs (Note 5)	—	488 733	195 008
Deferred income taxes (Notes 11 and 13)	733	24,501	19 527
Equity in earnings of joint ventures and related companies less distributions	(2 428)	(1 992)	(26 653)
Other non cash items	35,487	24 140	58 141
Total funds provided by operations	295,430	300 902	617,527
Funds Used for Operations			
Acquisitions of property plant and equipment	76 469	97 477	239 062
Net property plant and equipment of businesses acquired	6,692	—	43 590
Advances from joint ventures and related companies	(16 302)	(30 976)	(29 264)
Changes in			
Receivables and unbilled work	136 819	(275 581)	(214 857)
Inventories	(36 702)	(100 856)	(23 003)
Accounts payable and accrued liabilities	(85,972)	343 787	126 836
Other net	9 777	26 574	49 929
Total funds used for operations	90 781	60 425	192,293
Funds Used for (Provided by) Extraordinary Items			
Extraordinary loss	—	—	368 012
Changes in accounts payable and accrued liabilities	—	10 126	5,228
Refundable Federal income taxes (Note 11)	—	(198 900)	234 004
Other net	—	—	812
Total funds used for (provided by) extraordinary items	—	(188 774)	608 056
Funds Used for Cash Dividends to Shareholders	105,873	127 434	195 561
Funds Provided by (Used for) Financing Transactions			
Changes in long term debt including current maturities			
Additions	935	99	243
Reductions	(46 518)	(232 308)	(133 785)
Additions (reductions) in short term notes payable net	(1,274)	(108,044)	88 345
Purchase of common stock net	(18,050)	(70,902)	(317)
Total funds provided by (used for) financing transactions	(64,907)	(411 155)	(45 514)
Increase (Decrease) in Cash and Marketable Securities	$ 33,869	$(109,338)	$(423 897)

See statement of accounting policies and notes to financial statements

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Changes in Capital Stock and Paid-In Capital

	Common Stock		Paid in Capital in Excess of	Treasury Stock	
	Shares	Amount	Par Value	Shares	Amount
	(Dollars in thousands)				
Balance December 31 1984	118 688 589	$296 721	$112 604	10 192 866	$324 676
Shares issued under restricted stock plan (Note 9)	180 112	451	8 843	—	—
Purchase of common stock	—	—	—	26 332	794
Balance, December 31, 1985	118,868 701	297,172	121,447	10,219 198	325 470
Shares issued under restricted stock plan (Note 9)	182 999	457	5 882	—	—
Purchase of common stock	—	—	—	2,922 222	71,373
Balance, December 31 1986	119 051,700	297 629	127,329	13 141 420	396 843
Shares issued under restricted stock plan (Note 9)	137 898	345	7,221	—	—
Purchase of common stock (Note 9)	—	—	—	747,484	18,406
Balance December 31 1987	119 189 598	$297,974	$134 550	13,888 904	$415,249

See statement of accounting policies and notes to financial statements

Statement of Accounting Policies

Principles of Consolidation The consolidated financial statements include the accounts of the Company and all subsidiaries except insurance subsidiaries All significant intercompany accounts and transactions are eliminated Insurance subsidiaries and 20 50% owned companies are reported on the equity basis

Marketable Securities Marketable securities consisting primarily of U S government obligations corporate short term notes and tax exempt securities are valued at cost plus accrued interest which approximates market value

Inventory Valuation Inventories are stated at cost which is not in excess of market Cost represents invoice or production cost for new items and original cost less allowance for condition for used material returned to stock Production cost includes material labor and manufacturing overhead Substantially all sales items (including related work in process and raw materials) except those owned by the Company's foreign subsidiaries are valued on a last in first out (LIFO) basis Inventories of sales items owned by foreign subsidiaries and inventories of operating supplies and parts are generally valued at average cost

Deferred Income Taxes and Tax Credits Deferred income taxes are provided on timing differences between financial and tax reporting Tax credits are included as reductions of current income tax expense

Depreciation and Maintenance Fixed assets are depreciated over the estimated service lives of the respective classes of assets The straight line method is generally used for financial reporting purposes Actual or estimated expenditures for maintenance and repairs are charged currently to costs and expenses expenditures for renewals and betterments are generally capitalized Accumulated depreciation for property retired or otherwise disposed of is removed from the accumulated depreciation account with any gain or loss included in income

Construction Contracts As construction contracts may extend over a period of years the Company reports income from such contracts on a percentage of completion method of accounting All known or anticipated losses on construction contracts are provided for currently Claims for additional compensation are recognized during the period such claims are resolved

Income (Loss) Per Share Income (loss) per share amounts are based upon the weighted average number of common shares outstanding during each year

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Notes to Financial Statements

1 Engineering/Construction Contracts Notes and accounts receivable at December 31 1987 include $47 821 000 ($22 611 000 at December 31 1986) not currently collectible from customers in accordance with applicable retainage provisions of engineering/construction contracts Of the December 31 1987 amount about $41 822 000 is expected to be collected during 1988 and the remainder is due in subsequent years

Unbilled work on uncompleted contracts generally represents work currently billable and such work is usually billed during normal billing processes in the next month.

2 Related Companies Undistributed earnings of unconsolidated subsidiaries and 20 50% owned companies included in consolidated retained earnings at December 31 1987 1986 and 1985 were as follows

	1987	1986	1985
	(In thousands)		
Unconsolidated subsidiaries	$256,285	$238 543	$222 054
20 50% owned companies	39 890	32 623	45 150

Undistributed earnings of $40 628 000 were restricted as to payment of dividends from unconsolidated subsidiaries at December 31 1987

Purchases from unconsolidated companies 50% or more owned were approximately $54,065 000 $59 060 000 and $41 269 000 during the years 1987 1986 and 1985 respectively Included in such purchases are payments of premiums for employees group insurance, a portion of which was deducted from employees' wage payments

3 Property, Plant and Equipment Major classes of fixed assets at December 31, 1987 and 1986 were as follows

	1987	1986
	(In thousands)	
Land	$ 52,363	$ 53 627
Buildings	364,365	372 498
Machinery and equipment	2,359 079	2 589 185
Other	304,294	292 325
Total	$3 080 101	$3 307 635

Contractual obligations for construction and purchase of facilities and equipment at December 31 1987 amounted to approximately $84 000 000

4 Inventories Consolidated inventories at December 31 1987 and 1986 consisted of the following

	1987	1986
	(In thousands)	
Sales items	$ 86 167	$ 94 667
Supplies and parts	87 087	106 839
Work in process	27 521	30,346
Raw materials	27 641	33,266
Total	$228 416	$265 118

Substantially all sales items (including related work in process and raw materials) except those owned by the Company's foreign subsidiaries are valued using the last in first out (LIFO) method If the average cost method had been in use for inventories on the LIFO basis total inventories would have been about $46 232 000 and $49 147 000 higher than reported at December 31 1987 and 1986 respectively

5 Special Write downs Amounts reported for 1986 include write downs of $502 915 000 made in the second quarter to recognize the substantial erosion in the economic value of operating assets and related investments which occurred in both the oil field services and products and the marine engineering/construction services segments Because of the sudden and steep drop in the price of oil in early 1986 markets for the Company's services and products shrank significantly This sharp and enormous decline in demand resulted in large amounts of equipment and inventory becoming surplus to then current and anticipated needs The write downs for 1986 may be summarized as follows

	Inventories	Property Plant and Equipment	Other	Total
		(In thousands)		
Oil field services and products	$ 99 142	$185 774	$23 716	$308 632
Marine engineering/ construction services	8 424	131,257	54 602	194,283
Total	$107 566	$317 031	$78 318	$502 915

Tax benefits relating to these write downs increased the 1986 benefit for income taxes $14 182 000 This amount was after a reduction of $35 628 000 for the reversal of benefits relating to foreign tax credits recognized for the South Texas Nuclear Project litigation settlement in 1985 as the realization of such benefits appears doubtful

Amounts reported for 1985 include a marine charge of $257 830 000 This charge was made to recognize a significant reduction in the economic value of offshore equipment and other marine investments Tax benefits relating to this charge reduced the 1985 provision for income taxes $62 822 000

6 Extraordinary Item In December 1985, the Company and its wholly owned subsidiary Brown & Root Inc, reached final settlements relating to litigation with four owners of the South Texas Nuclear Project (STNP). The amount paid by Brown & Root was $578,180,000 In 1985 the Company provided for this payment and other related expenses of the STNP litigation through a special charge against income of $607,429,000 ($368 012 000 net of related tax benefits of $239 417,000). The litigation related to a contract under which Brown & Root was designing engineering and constructing a two unit nuclear fueled generation plant in Matagorda County Texas

7 Long Term Debt Long term debt at December 31 1987 and 1986 consisted of the following

	1987	1986
	(In thousands)	
10.2% debentures due June 1 2005 with annual sinking fund installments of $3 800 000 in 1996 and $13,300 000 thereafter	$123 500	$133 000
9.25% debentures due April 1 2000 with annual sinking fund installments of $9 775 000 in 1995 and $10 000 000 thereafter	59 775	88 775
7.95% debentures due December 1 1995 with annual sinking fund installments of $2 442 000 in 1992 and $2 500 000 thereafter	9,942	13 392
Other notes with varying interest rates	6 428	10 061
	199 645	245,228
Less current maturities	1 664	4 153
Total	$197 981	$241 075

The maturities of long term debt outstanding at December 31 1987 for the five years commencing January 1, 1988 are as follows 1988 $1 664 000 1989 $244 000 1990 $250 000 1991 $4 169 000 and 1992 $2,494 000

8 Lines of Credit. The Company has arrangements with several U S banks to provide short term lines of credit totaling $405 000 000 No borrowings were outstanding at December 31 1987 under any of these credit facilities

9 Common Stock Under the terms of the Company's career executive incentive stock plan 5 000 000 shares of the Company's common stock were reserved for sale to officers and key employees at a purchase price not to exceed par value of $2 50 per share Shares sold under this plan are restricted as to sale or disposition by the employee with such restrictions lapsing periodically over an extended period of time At December 31 1987 previously unissued shares of 4,638 792 (net of 710 164 shares forfeited) have been issued under the plan. The fair market value of the stock, on date of issuance, in excess of sales price is being amortized and charged to income (with similar credits to paid in capital in excess of par value) generally over the average period during which the restrictions lapse At December 31, 1987 the unamortized excess amounted to $33,292 000 Net U.S income tax benefits not affecting income which relate to outstanding restricted shares, have been credited to paid in capital in excess of par value Common stock reserved at December 31 1987 for future issuance under the Company's career executive incentive stock plan totaled 361,208 shares The present plan will expire on December 31 1988 however, management is proposing to the shareholders that the plan be extended for ten years and that 2,500 000 additional shares be made available This proposal will be voted on at the annual shareholders meeting to be held May 17 1988

At December 31 1987 the Company was authorized to purchase up to 6,361,081 common shares pursuant to a stock repurchase program announced November 21 1985

10 Series A Junior Participating Preferred Stock On May 20 1986 the Company declared a dividend of one preferred stock purchase right (a Right) on each outstanding share of common stock par value $2 50 per share (the Common Shares'). Under certain circumstances each Right will entitle the holder thereof to buy one one hundredth of a share of a newly created Series A Junior Participating Preferred Stock without par value (the Preferred Shares'), of the Company at an exercise price of $70 00 subject to adjustment The Rights will not be exercisable or transferable apart from the Common Shares, until the earlier to occur of (i) 10 days following a public announcement that a person or group has acquired 20% or more of the Common Shares or (ii) 10 days following the announcement by a person or group of an intention to make an offer for 30% or more of the Common Shares The Rights will not have any voting rights or be entitled to dividends

If after the Rights become exercisable the Company is a party to a merger or other business combination transaction each Right will entitle its holder to purchase at the exercise price of the Right that number of shares of common stock of the acquiring company which at the time of such transaction would have a market value of two times the exercise price of the Right Alternatively, if a 20% or more holder were to acquire the Company by means of a reverse merger in which the Company and its stock survive or were to engage in certain self dealing" transactions, each Right not owned by the 20% or more holder would become exercisable for the number of Common Shares which, at that time, would have a market value of two times the exercise price of the Right

The Rights are redeemable at $ 05 per Right at any time prior to the time that a person or group acquires beneficial ownership of 20% or more of the Common Shares The Rights will also be redeemable at such redemption price at the option of the Company's board of directors if the ownership percentages of such person or group should drop below 10% in a transaction or series of transactions not involving the Company The Rights will expire on June 1, 1996

11 Income Taxes The provision (benefit) for income taxes for 1987 1986 and 1985 are summarized as follows

	1987	1986	1985
	(In thousands)		
Current income taxes			
Federal taxes	$(11 133)	$ (87 830)	$ 17 595
Foreign taxes	28 527	39 894	104 072
State taxes	5 944	(7 790)	6 138
Total	23,338	(55 726)	$127 805
Deferred income taxes			
Federal taxes	(4,239)	23 730	(12 603)
Foreign and state taxes	(2 185)	(5 446)	(1,368)
Total	(6 424)	18,284	(13 971)
Total provision (benefit) for income taxes	$ 16 914	$ (37 442)	$113 834

The provision (benefit) for deferred taxes which result from timing differences between financial and tax reporting are summarized as follows

	1987	1986	1985
	(In thousands)		
Undistributed earnings of foreign subsidiaries	$ (2 955)	$ 6,288	$ (1,274)
Provision (benefit) for accrual of interest relating to prior years' Federal income taxes	13,221	(5 946)	(9,282)
Uncompleted engineering/construction contracts	(12 382)	(11 516)	(30 543)
Special write downs	30 088	(3 940)	(50 542)
Excess of tax over book depreciation	(28 680)	15,372	41 322
Other items net	(5 716)	18 026	36,348
Total deferred tax provision (benefit)	$ (6 424)	$ 18,284	$(13 971)

The domestic and foreign components of income (loss) before income taxes income of unconsolidated insurance subsidiaries minority interest and extraordinary item were as follows

	1987	1986	1985
	(In thousands)		
Domestic	$(20 490)	$(479 716)	$ 47 467
Foreign	46,217	(116 651)	67,266
Total	$ 25 727	$(596,367)	$114 733

Reconciliations between actual provision (benefit) for income taxes and income taxes computed by applying the U S statutory rate to income (loss) before income taxes income of unconsolidated insurance subsidiaries, minority interest and extraordinary item were as follows

	1987		1986		1985	
	Amount	% of Pretax Income	Amount	% of Pretax Income	Amount	% of Pretax Income
			(Dollars in thousands)			
Provision (benefit) computed at statutory rate	$10,292	40 0%	$(274,329)	(46 0)%	$ 52 777	46 0%
Increases (reductions) in taxes resulting from						
Tax credits	567	2.2	(8 421)	(1 4)	(15 805)	(13 8)
Special write downs	(7,275)	(28.3)	217 159	36 4	55 780	48 6
State income taxes net of Federal tax benefit	2,585	10 0	(4 179)	(7)	2 678	2 3
Nondeductible expenses	1,312	5 1	—	—	—	—
Nontaxable interest income	—	—	(14)	—	(7 745)	(6 7)
Tax differentials on foreign earnings	7 483	29 1	32 415	5 4	28 016	24 4
Other items net	1,950	7 6	(73)	—	(1,867)	(1 6)
Total	$16,914	65 7%	$ (37 442)	(6 3)%	$113,834	99.2%

Undistributed earnings of consolidated foreign subsidiaries were approximately $715 000,000 at December 31 1987 Deferred income taxes using the U S statutory rate (net of available foreign tax credits) have been provided on substantially all such earnings not considered to be permanently invested

Refundable income taxes of $75,350 000 and $104,565,000 reflected in the balance sheet at December 31 1987 and 1986, respectively are attributable to tax losses incurred in 1987 and 1986 and to the final settlement of the South Texas Nuclear Project litigation in 1985 (See Note 6 on page 27)

12 Quarterly Financial Information (Unaudited) Summarized quarterly financial information for 1987 and 1986 is as follows

	First	Second	Third	Fourth
	(In thousands except per share data)			
1987				
Net revenues	$ 700 135	$ 776 606	$896 767	$994 472
Operating income (loss)	(31 474)	(4 772)	27,222	31 726
Net income (loss)	(8 194)	1 454	20 786	34 044
Net income (loss) per share	(08)	02	19	32
Cash dividends paid per share	.25	.25	.25	.25
1986				
Net revenues	$1 004 917	$ 854 904	$841 362	$808,256
Operating income (loss)	20 656	(571 724)*	(27,585)	(16 039)
Net income (loss)	11,233	(524 638)	(7 186)	5 377
Net income (loss) per share	11	(4 94)	(07)	05
Cash dividends paid per share	45	.25	.25	.25

*Includes special write downs of $502 915 000 in 1986 (see Note 5 on page 27).

13 Insurance Subsidiaries

COMBINED FINANCIAL POSITION

	1987	1986
	(In thousands)	
Assets		
Investments in fixed maturity securities at cost (market value $928 316 000 and $808 725 000 respectively)	$ 933 458	$ 780 107
Investments in equity securities at market value (cost $3 818 000 and $4 362 000 respectively)	2,868	4 376
Cash and short term investments	83,826	96 098
Mortgage loans on real estate	95 817	79 565
Policy loans	27,371	53 904
Other	176 053	152 952
Total assets	$1,319,393	$1 167 002
Liabilities and Equity		
Reserves for losses and loss adjustment expenses	$ 836 495	$ 671 908
Unearned premiums	56 962	55 410
Funds held under reinsurance contracts	18 016	29 844
Other	91,378	114 546
Halliburton Company equity adjusted for net unrealized gains (losses) of $(950 000) in 1987 and $14 000 in 1986 on investments in equity securities	316,542	295,294
Total liabilities and equity	$1,319,393	$1 167 002

COMBINED OPERATING RESULTS

	1987	1986	1985
		(In thousands)	
Net earned premiums and agency income	$423 647	$381 431	$294 684
Underwriting expenses	479,262	421 776	334 772
Underwriting loss	(55 615)	(40 345)	(40 088)
Investment income net of investment expenses and including realized gains	88,397	85 182	68 814
Income before income taxes	32 782	44 837	28 726
Benefit (provision) for income taxes	4,284	(4 795)	7,358
Net income	37 066	40 042	36 084
Parent company benefit (provision) for deferred income taxes on undistributed foreign subsidiary earnings	(20)	384	96
Parent company amortization of goodwill	(28)	(28)	(28)
Net income as reported in consolidation	$ 37 018	$ 40,398	$ 36 152

The insurance subsidiaries consist of Highlands Insurance Company and its subsidiary companies and Highlands Overseas Limited Highlands Lloyds Highlands Limited Underwriters Special Risks Inc and its subsidiary companies, and Southern California Bonding Service, Inc Life Insurance Company of the Southwest, and Health Economics Corporation and its subsidiary company

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14 Segment and Geographic Information

SEGMENT OPERATIONS

	Net Revenues			Operating Income (Loss)		
	1987	1986	1985	1987	1986	1985
	(In thousands)					
Oil field services and products	$1 549 188	$1 797 725	$2 925 074	$ 3,866	$(355 394)	$ 335 335
Industrial engineering/construction services	1 498 924	1,342 840	1,311 357	13 300	(10 181)	26 712
Marine engineering/construction services	319 868	368 874	542,264	5 536	(229 117)	(272 974)
Consolidated total	$3 367 980	$3 509 439	$4 778 695	$ 22 702	$(594 692)	$ 89 073

	Identifiable Assets		
	1987	1986	1985
	(In thousands)		
Oil field services and products	$1 532 822	$1 789 845	$2 533 444
Industrial engineering/construction services	438 444	343 653	379 849
Marine engineering/construction services	350,999	313 647	549 805
General corporate	948 335	880 883	1 198 865
Consolidated total	$3,270 600	$3 328 028	$4 661 963

	Capital Expenditures			Depreciation		
	1987	1986	1985	1987	1986	1985
	(In thousands)					
Oil field services and products	$ 49 041	$ 81 112	$ 198 672	$182 793	$ 235 719	$ 271 078
Industrial engineering/construction services	24 077	12 523	20 328	16 609	19 421	21 112
Marine engineering/construction services	3,351	3 842	20 062	14 146	25 594	50 578
Consolidated total	$ 76 469	$ 97 477	$ 239 062	$213 548	$ 280 734	$ 342 768

GEOGRAPHIC OPERATIONS

	Net Revenues			Operating Income (Loss)		
	1987	1986	1985	1987	1986	1985
	(In thousands)					
United States	$2 421,222	$2 464 438	$3 378 829	$(17,886)	$(475 756)	$ 30 386
Europe	350 039	378,239	472 092	67	(86 193)	(59 646)
Other foreign areas	596 719	666 762	927 774	40 521	(32 743)	118 333
Consolidated total	$3 367 980	$3 509 439	$4 778 695	$ 22 702	$(594 692)	$ 89 073

	Identifiable Assets		
	1987	1986	1985
	(In thousands)		
United States	$1 667 555	$1 610 457	$2 307 502
Europe	325,211	237 068	322 322
Other foreign areas	329 499	599 620	833,274
General corporate	948,335	880 883	1 198 865
Consolidated total	$3,270 600	$3 328 028	$4 661 963

See Company Profile on inside front cover for a description of business segments

Oil field services and products operating loss in 1986 includes special write downs of $308,632,000 Marine engineering/construction operating losses in 1986 and 1985 include special write downs of $194 283,000 and $257 830 000, respectively (See Note 5 on page 27)

The Company's equity in income or losses of joint venture operations is included in net revenues and operating income of each applicable segment

General corporate expenses of $13 715 000 for 1987 $16,273 000 for 1986 and $14 976 000 for 1985 were allocated to business segments General corporate assets (including $526 498 000 located outside the United States at December 31 1987) are principally cash refundable Federal income taxes and equity in and advances to unconsolidated companies

Segment information relating to sales or transfers between business segments intercompany sales or transfers between geographic areas equity in net income and in net assets of unconsolidated companies whose operations are vertically integrated export sales to unaffiliated companies and information about major customers are not reflected herein because such items are immaterial

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15 Joint Ventures Equity in and advances to joint ventures include $70,460 000 and $73 037 000 applicable to M I Drilling Fluids Company as of December 31 1987 and 1986 respectively Halliburton Company and Dresser Industries as of December 1, 1986 combined their drilling fluids operations and formed M I Drilling Fluids Company which is a partnership owned 60% by Dresser and 40% by Halliburton. Summarized financial information on M I Drilling Fluids Company for the year ended December 31, 1987 and the one month period ended December 31 1986 is as follows

	1987	1986
	(In thousands)	
Current assets	$177 722	$145 505
Noncurrent assets	69 744	98 002
Total assets	$247 466	$243 507
Current liabilities	$ 44 190	$ 39 647
Noncurrent liabilities	24 934	16 796
Partners' equity and advances	178,342	187 064
Total liabilities and equity	$247 466	$243 507
Net revenues	$308 676	$ 20,330
Operating loss	(19,310)	(3 330)

16 Foreign Currency Translation The Company considers that current operations of its foreign branches and subsidiaries are generally an extension of domestic activities thus the functional currency of its foreign operations is the U S dollar Since the functional currency of foreign operations is the same as the reporting currency translation adjustments and transaction gains or losses are recognized in consolidated income in the year of occurrence

Exchange gains (losses) recorded in 1987 1986 and 1985 were $(3 464 000) $4 514 000 and $(19 530 000) respectively

17 Research and Development Research and development expenses are charged to income as incurred Such charges were $60 921 000 in 1987 $66 662 000 in 1986 and $77,310,000 in 1985

18 Lease Information At December 31 1987 the Company was obligated under noncancelable operating leases, expiring on various dates to 2040 principally for the use of land, offices and field facilities Aggregate rentals charged to operations for such leases totaled $33 142,000 in 1987 $35,161 000 in 1986 and $36 432,000 in 1985 Future aggregate minimum rentals on noncancelable operating leases are as follows 1988, $32 006,000 1989, $26,003 000 1990, $20 021 000 1991 $15 156,000, 1992 $11 035 000 and thereafter, $86,216 000

19 Retirement Plans The Company has various retirement plans which cover a significant number of its employees Contributions to the major plans are based upon current year's net income with such contributions being paid annually into employee benefit trust funds Other plans include pension plans which are being funded to operate on an actuarially sound basis The related fund assets and balance sheet accruals at December 31 1987 approximated the aggregate value of actuarially computed vested benefits and past service benefits not vested Company contributions to such plans totaled $12 408 000 $8 462 000 and $62 440 000 in 1987 1986 and 1985, respectively

20 Impact of Recently Issued Accounting Standards Statement of Financial Accounting Standards No 94 was issued in October 1987 Under the new statement the Company will be required to consolidate its insurance subsidiaries beginning in 1988 If this standard had been in effect for the year 1987 such consolidation would have increased consolidated revenues approximately $460 000 000 operating income approximately $33 000 000 and total assets approximately $1 003 000 000 There would have been no change in net income net income per share or shareholders' equity Effective with the first quarter of 1988 the financial statements will be restated to reflect this change

Statement of Financial Accounting Standards No 96 was issued in December 1987 Under the new standard on accounting for income taxes the Company will be required to adopt the new accounting and disclosure rules not later than for its year ending December 31 1989 At the date the Company adopts the new standard it may record the cumulative effect in that year or it may retroactively restate prior financial statements The Company has not decided when it will adopt the new standard or if it will restate prior periods The Company is currently analyzing the provisions of the new standard but has not determined what effect the changes may have on its consolidated financial position and results of operations

21 Subsequent Events

Geophysical Service Inc On February 29 1988 the Company acquired 60% of the common stock of Geophysical Service Inc (GSI), a wholly owned subsidiary of Texas Instruments Incorporated (TI). The acquisition will be accounted for as a purchase The purchase agreement provides for possible 100% ownership within a few years

The initial payment to TI was $51 500,000 and the purchase agreement provides for a potential additional cash payment in 1991 The purchase agreement also provides for the possible subsequent sale by TI of the remaining 40% of GSI to Halliburton, at the option of either company Both the amount of the additional payment for the initial purchase and the option price are to be determined primarily on the basis of the future financial performance of GSI

For the year ended December 31 1987 GSI reported net revenues of $241 800 000

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GSI headquartered in Dallas Texas is in the land and marine seismic services business which includes the collection and processing of seismic data in connection with petroleum exploration and the development and manufacturing of seismic equipment

Gearhart Industries, Inc On February 24, 1988 the Company signed a letter of intent with Gearhart Industries Inc (Gearhart) which provides for the Company to acquire all of the outstanding common stock of Gearhart in exchange for approximately 1 470 000 shares of common stock of the Company The acquisition is to be accounted for as a purchase

Completion of the proposed transaction is contingent upon Halliburton entering into agreements with the holders of other Gearhart securities and Gearhart's lenders Halliburton has agreed to pay approximately $230 000 000 cash for other securities and debt including all of Gearhart's senior debt subordinated debt and series A preferred stock

The transaction is also subject to the parties entering into a definitive merger agreement approval by Gearhart's shareholders as well as receiving appropriate corporate tax and regulatory approvals Completion of the acquisition is expected by mid 1988

For the nine months ended October 31 1987 Gearhart reported on an unaudited basis net revenues of $219 600 000

Gearhart headquartered in Fort Worth Texas is engaged in performing wireline logging and other well evaluation services and providing geophysical services In addition, Gearhart manufactures and sells both wireline equipment and supplies and geophysical equipment and supplies to third parties

Auditors' Report

To the Shareholders and Board of Directors,
Halliburton Company

We have examined the consolidated balance sheet of Halliburton Company (a Delaware corporation) and subsidiary companies as of December 31 1987 and 1986 and the related consolidated statements of income retained earnings changes in financial position and changes in capital stock and paid in capital for each of the three years in the period ended December 31 1987 Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances

In our opinion the consolidated financial statements referred to above present fairly the financial position of Halliburton Company and subsidiary companies as of December 31 1987 and 1986 and the results of their operations and the changes in their financial position for each of the three years in the period ended December 31 1987 in conformity with generally accepted accounting principles applied on a consistent basis

ARTHUR ANDERSEN & CO

Dallas Texas
February 4, 1988 (except with respect to the matters discussed in Note 21 as to which the date is March 2 1988)

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Ten Year Financial Record

	1987	1986	1985
Operating Results			
Net revenues			
Oil field services	$ 982,927	$1 025 585	$1 612 584
Oil field products	566,261	772 140	1,312 490
Total oil field services and products	1 549,188	1 797 725	2 925 074
Industrial engineering/construction services	1,498,924	1 342 840	1 311 357
Marine engineering/construction services	319 868	368 874	542,264
Total Net Revenues	3 367,980	3 509 439	4 778 695
Operating income (loss)			
Oil field services and products	3,866	(355 394)*	335 335
Industrial engineering/construction services	13,300	(10 181)	26,712
Marine engineering/construction services	5 536	(229 117)*	(272 974)*
Total Operating Income (Loss)	22,702	(594,692)	89,073
Nonoperating income (expense), net	3 025	(1 675)	25 660
Benefit (provision) for income taxes	(16 914)	37 442	(113 834)
Net income of unconsolidated insurance subsidiaries	37,018	40 398	36,152
Minority interest in net (income) loss of consolidated subsidiaries	2,259	3 313	(8 315)
Income (Loss) Before Extraordinary Items	48 090	(515,214)	28,736
Extraordinary items net of income taxes	—	—	(368 012)
Net Income (Loss)	48 090	(515 214)	(339,276)
Percent of net income (loss) to revenues	1 4%	(14 7)%	(7 1)%
Income (loss) per share before extraordinary items adjusted for stock splits	45	(4 85)	27
Net income (loss) per share adjusted for stock splits	45	(4 85)	(3 12)
Cash dividends per share adjusted for stock splits	1 00	1 20	1 80
Percent of net income (loss) to average equity of shareholders	2 3%	(21 0)%	(10 9)%
Financial Position			
Current assets	$1,785,273	$1 680,502	$2,403,282
Current liabilities	795,810	742 816	1 144 794
Working Capital	989 463	937 686	1,258 488
Property plant and equipment net	865 324	1 025,762	1,571 780
Other assets less other liabilities	424,743	427 799	475,238
Net Assets	2,279,530	2 391,247	3 305 506
Long term debt	197 981	241,075	447 652
Shareholders Equity	2 081,549	2 150 172	2,857 854
Book value per share, adjusted for stock splits	19 77	20 30	26 30
Average common shares outstanding adjusted for stock splits	105,891	106 121	108 647
Other Financial Data			
Long term borrowings net of reductions	$ (43 094)	$ (206 577)	$ (32 503)
Issuance (purchase) of common stock net	(18,050)	(70 902)	(317)
Acquisitions of property plant and equipment	76 469	97 477	239 062
Net property plant and equipment of businesses acquired	6,692	—	43 590
Depreciation and net book value of fixed assets retired	243,599	300 418	384 027
Payroll and employee benefits	1,642 666	1 752 841	2,175 547
Number of employees	48,600	46 900	65 000

*Oil field services and products operating loss in 1986 includes special write downs of $308 632 000 Marine engineering/construction operating losses in 1986 and 1985 include special write downs of $194 283 000 and $257 830 000 respectively (See Note 5 to financial statements on page 27)

1984	1983	1982	1981	1980	1979	1978
(In thousands except per share data and number of employees)						
$1 815 983	$1 576 171	$2 075 085	$2 115 320	$1 589 871	$1 101 710	$ 888 987
1 360 356	1 291 396	1 770 991	1 954 729	1 485 596	1 072 933	852 324
3 176 339	2 867 567	3 846 076	4 070 049	3 075 467	2 174 643	1 741 311
1 574,292	1 824 806	2,274 042	2 892 530	2 701 265	2 900 481	2 472 112
695 088	829 805	1 137 173	1 545 554	1 313,275	1 101 500	1 037 370
5,445,719	5,522 178	7,257,291	8 508,133	7 090 007	6 176 624	5,250 793
478 558	402 001	786 544	997 099	710,239	428 360	385 888
8,299	42 205	35 357	60 316	48,167	76,293	112 772
11 033	56 800	34 576	123 415	95 434	90 919	160 781
497 890	501 006	856 477	1,180 830	853 840	595 572	659 441
32 671	(5 530)	(53 338)	(69,215)	(31 551)	16 651	25 845
(240 004)	(220 446)	(325 333)	(465 548)	(347 624)	(256 543)	(306,295)
41 585	43 887	39,287	33 506	26,285	22 359	19 171
(2 547)	(4 079)	(5 445)	(5 305)	(652)	(640)	(1 124)
329,595	314 838	511,648	674 268	500,298	377 399	397,038
—	(39 023)	(14 803)	—	—	—	—
329 595	275 815	496,845	674,268	500,298	377 399	397,038
6 1%	5 0%	6 8%	7 9%	7 1%	6 1%	7 6%
2 87	2 66	4 34	5 72	4 25	3 21	3 38
2 87	2 33	4 21	5 72	4 25	3 21	3 38
1 80	1 65	1 60	1 30	1 05	92	75
9 3%	7 8%	14 9%	23 4%	20 6%	17 9%	22 0%
$2 831 035	$3 140 389	$2 828 119	$2 890 713	$2 490 409	$2 067 324	$1 804,447
1,256,223	1,283,483	1 124,295	1 491 580	1 350 001	1,163 118	864 070
1,574 812	1,856 906	1,703,824	1,399,133	1,140,408	904,206	940,377
1 860 669	2 087 488	2,264 466	2 181 941	1 821 897	1 564 270	1 322 975
428 865	357 377	259 080	327 621	256 511	72 818	(2,277)
3,864 346	4,301,771	4,227 370	3,908 695	3,218,816	2,541,294	2,261 075
480 155	730 244	745 285	741 578	583,723	290 512	285,247
3,384,191	3 571,527	3,482,085	3,167,117	2,635,093	2,250 782	1 975,828
31 19	30 18	29 49	26 85	22 39	19 14	16 82
114 855	118,250	118 068	117 839	117 698	117 615	117 486
$ (250 089)	$ (15 041)	$ 3 707	$ 157 857	$ 293 211	$ 5,265	$ (13,604)
(319,155)	268	88	77	(245)	(495)	(330)
262 448	242 805	488 305	697 063	545 584	490 171	393 847
8 553	—	—	156	1 974	958	118 862
396,214	419 783	405 780	336 722	289,931	249 834	217,298
2 316 018	2 381 227	2 830 077	3 146 813	2 837,440	2 597 107	2 090 647
67 500	73,200	83 700	109 300	115 000	112 100	110 400

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Management

Board of Directors

Anne L. Armstrong (19 7)
Chairman of the President's Foreign Intelligence Advisory Board Chairman of the Board of Trustees Center for Strategic and International Studies director of several corporations former Ambassador to Great Britain
Armstrong Texas

T Louis Austin Jr (1983)
President and Chief Executive Officer Brown & Root Inc
Houston Texas

The Rt Hon Lord Clitheroe (1987)
Deputy Chief Executive The RTZ Corporation PLC
London England

Edwin L Cox (1979)
Chairman Cox Oil and Gas Inc
Dallas Texas

Robert L. Crandall (1986)
Chairman and President AMR Corporation and American Airlines Inc
Dallas-Fort Worth Airport Texas

Thomas H Cruikshank (19 7)
President and Chief Executive Officer Halliburton Company
Dallas Texas

James W Glanville (19 7)
General Partner Lazard Freres & Company
New York New York

Guy T McBride Jr (1972)
President Emeritus Colorado School of Mines
Golden Colorado

F James McDonald (198)
Former President and Chief Operating Officer General Motors Corporation
Bloomfield Hills Michigan

E L Williamson (1981)
Chairman and Chief Executive Officer The Louisiana Land and Exploration Company
New Orleans Louisiana

Member of Compensation and Audit Committees

Date indicates year of election to the Board of Directors

Executive Committee

T Louis Austin Jr
President and Chief Executive Officer Brown & Root Inc.
Houston Texas

Alan A Baker
President Halliburton Services Division
Duncan Oklahoma

Lester L Coleman
Senior Vice President — Corporate Development Halliburton Company
Dallas Texas

Thomas H Cruikshank
President and Chief Executive Officer Halliburton Company
Dallas Texas

James A Dunlop
President Welex Division
Houston Texas

Dale P Jones
Executive Vice President — Oil Field Services Halliburton Company
Dallas Texas

Jack W Miller
Senior Vice President — Finance Halliburton Company
Dallas Texas

Purvis J Thrash
President Otis Engineering Corporation
Dallas Texas

Corporate Officers

Halliburton Company
Dallas Texas

Thomas H Cruikshank President and Chief Executive Officer

Dale P Jones Executive Vice President — Oil Field Services

Jack W Miller Senior Vice President — Finance

Lester L. Coleman Senior Vice President — Corporate Development

Robert M Kennedy Vice President — Legal

Jack R Skinner Vice President — Taxes

Guy T Marcus Vice President — Investor Relations

Don P Woosley Vice President — Corporate Development (effective January 1 1988)

James R Flow Controller

C Robert Fielder Treasurer

Susan S Keith Secretary

Effective January 1 1988 Mr Coleman was promoted to Executive Vice President — Finance and Corporate Development in contemplation of Mr Millers retirement on March 31 1988

Principal Operating Officers

**Halliburton Services Division
Duncan Oklahoma**

Alan A Baker President

J G Cook Senior Vice President — Domestic Operations

L F Maier Vice President — International Operations

**Otis Engineering Corporation
Dallas Texas**

Purvis J Thrash President

Don Y Fisher Executive Vice President

Jerry B Davis Senior Vice President

**Welex Division
Houston Texas**

James A Dunlop President

**Halliburton Resource Management Division
Dallas Texas**

R N Killman President

**Vann Systems Division
Houston Texas**

K R LeSuer President

**Brown & Root Inc
Houston Texas**

T Louis Austin Jr President and Chief Executive Officer

W Bernard Pieper Senior Executive Vice President

**NUS Corporation
Gaithersburg Maryland**

Charles F Jones President

**Highlands Insurance Company
Houston Texas**

Harold G Duble President

**Life Insurance Company of the Southwest
Dallas Texas**

Richard R Lee President

Corporate Information

Oil Field Services and Products

Halliburton Services Division
P O Drawer 1431
Duncan Oklahoma

Otis Engineering Corporation
P O Box 819052
Dallas Texas [illegible]

Welex Division
P O Box 42800
Houston Texas [illegible]

Halliburton Resource Management Division
P O Box 1431
Dallas Texas [illegible]

Vann Systems Division
P O Box 4443
Houston Texas [illegible]

Geophysical Service Inc
P O Box [illegible]
Dallas Texas [illegible]

Jet Research Center Inc
P O Box [illegible]
Arlington Texas [illegible]

FreightMaster Division
P O Box 40
Fort Worth Texas [illegible]

Engineering and Construction Services

Brown & Root Inc
P O Box 3
Houston Texas [illegible]

Brown & Root U S A Inc
P O Box 3
Houston Texas [illegible]

Brown & Root International Inc
P O Box 3
Houston Texas [illegible]

Taylor International Inc
4100 Clinton Drive
Houston Texas [illegible]

Enterprise Building Corporation
P O Box 42600
St Petersburg Florida [illegible]

NUS Corporation
910 Clopper Road
Gaithersburg Maryland [illegible]

Insurance Services

Highlands Insurance Company
600 Jefferson Street
Houston Texas [illegible]

Life Insurance Company of the Southwest
1300 West Mockingbird Lane
Dallas Texas [illegible]

Health Economics Corporation
1300 West Mockingbird Lane
Dallas Texas [illegible]

Shareholder Information

Corporate Office

3600 Lincoln Plaza
500 North Akard Street
Dallas Texas 75201 3391
(214) 978 2600

Shares Listed

New York Stock Exchange
Symbol HAL
The Stock Exchange London
Swiss Stock Exchanges at Zurich
Geneva Basel and Lausanne
The Toronto Stock Exchange

Transfer Agents and Registrars

Principal Agent
First RepublicBank Dallas N A
Corporate Trust
P O Box 2964
Dallas Texas 75221

Morgan Shareholder Services
Trust Company
P O Box 3904 Church Street
Station
New York New York 10008

Central Trust Company
P O Box 38
Toronto Ontario M5X 1G4

Form 10 K Report

Shareholders can obtain a copy of the Company's annual report to the Securities and Exchange Commission Form 10 K by writing to

Vice President — Investor Relations
Halliburton Company
3600 Lincoln Plaza
500 North Akard Street
Dallas Texas 75201 3391

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Halliburton Company

Litho in U.S.A.

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